

The 'Perception Gap' Blurs Picture in Bosnia

What the UN Sees as Move to Peace May Instead Be a Step Toward War

By John Pomfret
Washington Post Service

TRAVNIK, Bosnia-Herzegovina — Lieutenant General Sir Michael Rose, the commander of United Nations troops in Bosnia, took a delegation of NATO officers to meet General Mehmed Alagic early last week.

At the appointed time, the Bosnian Muslim general burst into the room, sucked in his formidable stomach and jerked his right hand into a snappy salute.

Nonplussed, General Rose extended his arm to shake the Bosnian's hand. The UN commander, a by-the-books British officer, does not salute a man not wearing a hat. But General Alagic — gloriously incorrect, and one of the most successful military leaders of the mostly Muslim Bosnian army — refused a handshake.

The NATO commander for Southern Europe, Admiral Leighton Smith, stepped in and saved everyone a bit of face, participants in the meeting recalled. Looser American rules allow hasty salutes, General Alagic, his salute returned and his pride intact, settled into his seat and the meeting began.

The brief standoff in this beautiful Bosnian town dramatized the gap in understanding between the UN and the military men of the warring Bosnian factions.

Denizens of different cultures and different worlds, using different maps to fight different wars according to different rules, they can neither shake hands nor salute when they meet.

The ramifications of this gap in perception are significant, affecting everything in Bosnia from the peace process in Geneva to cease-fire agreements on the ground. It is one of the reasons why what seems to be a step toward peace in UN eyes can, in other eyes, turn out to be a stumble toward more war.

General Rose, born 53 years ago in Quetta, then a British colonial garrison town in what is now Pakistan, cites the Prussian military thinker Karl von Clausewitz to sum up his evaluation of this conflict: "The war," he said with the firm belief of a former war college commandant schooled in the logic of NATO strategy, "has long ago reached its limit of escalation."

General Alagic, 47, part Turkish vizier, part Communist commissar, trained in the arts of protected struggle in a culture where Occident and Orient collide, begs to disagree.

"We don't make war here on the basis of West Point," he said.

General Rose predicted, for example, that his masterpiece, a successful cease-fire around Sarajevo that rode on the back of a NATO ultimatum last February, would spread rapidly across Bosnia. Instead, it was followed by a decision by the Bosnian Serb military leader, Ratko Mladic, to attack the UN "safe area" of Gorazde, precipitating another crisis.

One of the great successes of the UN operation in Bosnia, hammered out in tandem with American diplomatic efforts, was the March peace settlement between Croat and Muslim factions that fought a war for more than a year in central Bosnia in parallel with the main conflict pitting the Muslim-led government against Serb secessionists.

Lieutenant Colonel John McColl, commander of British forces in the region, General Rose and the American diplomats and military officers who brokered the accord saw it as the beginning of a process that would spread into the 72 percent of Bosnia held by the Serbs.

Charles E. Redman, U.S. special envoy to the Bosnian peace talks, says that now that Muslims and Croats have stopped fighting, they should sign a peace agreement that would give them 51 percent of the country and the Serbs 49 percent.

But General Alagic commands a corps of Bosnian fighters at least half of whom lost their homes in Serb ethnic cleansing. He tends to see the Muslim-Croat deal not as a harbinger of peace but as the facilitator of more war.

"The federation means open roads," he said. "Open roads mean guns. And that means my men can go home."

While General Rose was telling him that continuing the war was "pointless," Muslim infantry and Croat tanks were attacking Bosnian Serb positions near Tesanj, northeast of Travnik, in a joint probe marking the first time in more than a year that the Croat militia had fought alongside Muslim forces in central Bosnia.

General Rose called the fighting "minor skirmishes." Bosnian commanders view the renewed cooperation as steps toward bigger ones.

One of the goals of the Tesanj attack appears to be to cut a road running south from the Serb-held town of Tesanj that supplies Serb gunners on Mount Vlasica, a peak overlooking Travnik.

General Alagic's men have recently attacked Serb positions there.



Mr. Solzhenitsyn leaving Vladivostok on Sunday to visit Popov Island with sons Yermolai, left, and Stepan and his wife, Natalia.

How Will Russia Find Solzhenitsyn?

By Serge Schmemmann
New York Times Service

VLADIVOSTOK, Russia — In one of his early short stories, "Matryona's Home," Alexander I. Solzhenitsyn wrote a hauntingly prophetic passage about a prisoner coming home from the labor camps.

"In the summer of 1953 I was coming back from the hot and dusty desert, just following my nose — so long as it led me back to European Russia. Nobody waited or wanted me at any particular place, because I was a little matter of 10 years overdue. I just wanted to efface myself, to lose myself in deepest Russia ... if it was there."

Vermont is no hot and dusty desert, and the 10 years turned to 20. But Mr. Solzhenitsyn is in a sense following his nose back to European Russia as he begins a trek across Siberia for which he has no plan or schedule.

The question is whether there is a Russia that awaits or wants him, and whether his

"deepest Russia" is still there. Mr. Solzhenitsyn has left no doubt of his ardent longing to devote his accumulated authority and his final years to helping his beloved *rodina*, his motherland, recover from "the plague of communism."

But in the first formal press conference he

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has ever held in his homeland he was far stronger on criticism than on constructive ideas. In fact, he had nary a good word to say of anything.

Walking through the Saturday market in the main square of Vladivostok, he noted not the abundance but the prices, which he said made his eyes "pop out of my head."

The adoption of foreign words into Russian reflected "an illness of our soul," Yegor T. Gaidar's reforms were "brainless," Mikhail S. Gorbachev's *perestroika* was "hypocrisy." Russia's politics were a "false democra-

cy." The new states around Russia were artificial and were oppressing Russians. Political parties were a "hoax."

Most Russians would probably agree with much of the above, and there were a few bursts of appreciative applause at the press conference. But it no longer takes a dissident to criticize Mr. Gaidar or to bemoan prices, and these were complaints heard constantly in the streets.

What Mr. Solzhenitsyn offered on the positive side of the ledger were some vague ideas on democracy — a strong central government and strong local governments, honorable candidates — and proposing a self-critical, nonaggressive patriotism as Russia's unifying idea.

True, the writer is only at the start of his odyssey across Russia, and he said he was prepared to shape and revise his views. And there were intellectuals, most notably Mik-

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Effort to Stop North Korean Nuclear Plans Nears Collapse

Missile Test Is Predicted Over the Sea of Japan; Inspectors Return Home

By David E. Sanger
New York Times Service

TOKYO — The Clinton administration's latest plan to stop North Korea's nuclear program appeared on the verge of collapse Sunday after the North declared it would "never allow" outsiders to derail its nuclear plans, and international inspectors left the Communist country saying their efforts had failed.

The move came as reports here indicated that North Korea appeared to be preparing to test a new medium-range missile over the Sea of Japan.

In the past, the CIA has said the North's extensive missile program is part of an effort to prove that its nuclear arsenal could strike all the major cities in Japan and South Korea. The last test was a year ago, and prompted alarm here after the missile, which was not armed, landed near Japan's west coast.

Taken together, the latest events suggest that U.S. officials may have been too optimistic last week when they expressed confidence that a new approach to North Korea — including an offer of high-level talks about diplomatic and economic links that the North has long sought — could break a yearlong impasse over keeping the Korean Peninsula free of nuclear weapons.

The fact of the matter is that we don't really understand what they are doing," said a U.S. official based in Asia who follows the situation closely. "They may be trying with us, or they may have already decided that they have to say the nuclear program at all costs."

[Reacting to North Korea's hard line, U.S. congressional leaders, in broadcast interviews Sunday, offered a range of diplomatic and military steps to convey American resolve. Each indicated that the United States should not back away from its demands on the North. [Senator Sam Nunn, a Georgia Democrat who is the Senate's top military affairs expert, suggested that a further strengthening of U.S. forces in South Korea would be needed as the UN moves to impose economic sanctions on North Korea.]

[Others recommended even closer cooperation with China and Japan. Senator Bill Bradley, a New Jersey Democrat, said two potential "winners" on North Korea were the North's reliance on business in Japan for hard currency and on China for electric power. He also suggested a high-level military contact by U.S. officers with the Japanese military and that North Korea be informed of the contact by news leak. This signal, by its very ambiguity, could be effective, he said.]

[Newt Gingrich of Georgia, a Republican leader in the House, urged closer cooperation with China and Japan as he warned that the situation had become extremely serious.]

[Mr. Nunn said North Korea faced three choices: causing a war, which would bring about the North's destruction; defying the international nuclear inspection regime, which would lead to sanctions and possible financial and social collapse; and accepting international nuclear oversight, which would open the North to trade and contact with the rest of the world.]

While the talks with North Korea over the last year and a half have after seemed an endless cycle of optimistic predictions followed by warnings of impending confrontation, they have never before seemed to carry so much urgency.

The International Atomic Energy Agency, which dispatched an inspection team to observe the removal of fuel rods from its main reactor at Yongbyon, says that the North is within days of obliterating evidence of how much nuclear fuel has been diverted to its weapons program. Washington has said that if the evidence is destroyed, it would have no choice but to seek sanctions.

With the collapse of the talks with the atomic energy agency, an arm of the United Nations, the Security Council was considering a meeting to issue another warning to the North. But it is unclear whether China, which has veto power, would back the economic sanctions it has consistently opposed.

A call for sanctions would be a major reversal for the State Department, which just two weeks ago began a new effort to engage the North. Both South Korea and Washington dropped several conditions they had required North Korea to fulfill before another round of talks on diplomatic and economic ties.

But from the start, many U.S. officials have viewed the diplomatic engagement of the North as an exercise in self-deception that ignored evidence that Pyongyang would push ahead with its nuclear program.

That argument has gained credence as the North speeds ahead on replacing more than 8,000 fuel rods, a process that ultimately could produce enough fuel for four or five nuclear weapons.

The agency announced Sunday that officials sent to Pyongyang to negotiate had returned to Vienna after the North "rejected all IAEA proposals put forward with the aim of maintaining the IAEA's ability to select, segregate and secure fuel rods."

For Palestinians, Promised Aid Is Elusive

By David Hoffman
Washington Post Service

BEIT HANINA, West Bank — Inside the nerve center for Palestinian economic revival, Deputy Managing Director Hasan Abu Libdeh is waiting for the phone to ring.

In fact, he's still waiting for the phone to be installed. So far, the Palestinian Economic Council for Development and Reconstruction, the agency set up to translate billions of dollars in foreign aid into jobs and prosperity for Palestinian self-rule, does not have a single telephone line.

The Palestinians say Israel's military government in the West Bank is blocking their request for telephones. The military government says it is a problem of poor West Bank infrastructure. Either way, it is a clue to the uncertainty swirl-

ing around the ambitious dreams of Palestinian economic renewal and the global rescue plan that is supposed to make it happen.

After the self-rule accord was signed in September between Israel and the Palestine Liberation Organization, nations around the world promised to help the nascent Palestinian Authority rebuild after 27 years of Israeli occupation. At a U.S.-sponsored conference in Washington, \$2.1 billion was pledged to the Palestinians over five years, including \$600 million for the first year.

Seven months later, the global rescue program is looking more like a mirage. So far, only tiny fractions of the money has trickled in. And now that the Palestinians and Israelis have started to implement their agreement, the Palestinians are facing enormous financial prob-

lems that they are woefully unprepared to solve.

For now, Palestinians in the street are still celebrating the arrival of their own police force in the Gaza Strip and the West Bank town of Jericho. But the best and brightest Palestinian technocrats are deeply worried about what will happen when the celebrations fade, when the people on the street discover that the government under their own flag cannot deliver the same services that the Israeli occupiers did.

"We'll be drinking a lot of unsweetened coffee," Mr. Libdeh said. "It will be the real life."

The reasons why the money has not yet started flowing from abroad are complex and help illuminate the uncertain nature of the new Palestinian experiment.

Yasser Arafat, the PLO chairman, who sin-

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Rwanda Killing's End: A Rebel Victory?

By Keith B. Richburg
Washington Post Service

NAIROBI — With the world horrified by the bloodshed in Rwanda but paralyzed by confusion, indecision or fear, many aid officials, human-rights advocates and Africa watchers now are hoping for a victory by rebel forces to end the tumult.

Such a scenario now seems likely, with the Rwandan Patriotic Front rebels improving their positions in neighborhoods around the capital, Kigali, while advancing on the town of Gitarama, headquarters of Rwanda's rump government.

With the rebels occupying much of Kigali, including the international airport, the fall of Gitarama would make a complete victory for the rebels all but certain, leaving them in con-

trol of most of the country except the west and southwest. That would allow the rebels to dictate the terms of a cease-fire and would leave them in a position to try to form a government.

Many who have watched Rwanda's horrors say a rebel victory would relieve foreign governments of witnessing mass slaughter while failing to mount the political will to try to stop it.

"There is some thinking that if the rebels win, maybe that would take care of the problem for now," said Pauline Baker, a scholar on Africa with the Washington office of the Aspen Institute.

She said some African policymakers were harking back to the "Ethiopian scenario" of May 1991, when the Bush administration virtually invited an advancing guerrilla army to enter the Ethiopian capital, Addis Ababa, as a

way of ending that country's long civil war while providing for an orderly transition after the fall of the dictator, Mengistu Haile Mariam.

Another Rwanda scholar, interviewed in Brussels, said a rebel victory "is what everybody is hoping for."

But this scholar said that policy might in the long term prove "very unwise," since it was unclear how the rebels, representing Rwanda's long-oppressed Tutsi minority, would be able to form a broadly representative government.

"The RPF looks like the angel in this thing," she said. "But to let the RPF win creates another Burundi, where you have a tiny minority in charge."

The populations of both Rwanda and Burun-

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The Unmaking of Clinton's China Policy

New York Times Service

The following article is based on reporting by Thomas L. Friedman, Elaine Sciolino and Patrick E. Tyler and was written by Ms. Sciolino.

WASHINGTON — Warren M. Christopher was in China, and the president was furious. The secretary of state's high-profile trip in March was supposed to have been the capstone of the administration's strategy of working intensively with Beijing to resolve their dispute over human rights.

Instead, things were getting worse by the day. Mr. Christopher was trading insults with the Chinese authorities, who were preoccupied with their annual National People's Congress, and he was facing harsh criticism from the U.S. Chamber of Commerce in Beijing.

As President Bill Clinton watched his China policy heading over a cliff, he exploded in front

Business Looks Good

American companies and Chinese officials acted swiftly over the weekend to expand trade relations following President Clinton's decision to renew Beijing's special trade status. Among those industries affected are: civil aviation, insurance and oil. (Page 19)

of aides in the Oval Office. "What the hell is China doing there now?"

The president's outburst, say aides, reflected his frustration not only with his secretary of state but also with a policy that seemed to be turning from a success into a tar baby.

In the end, Mr. Clinton would renew China's trade privileges and abandon an agonizing annual ritual of linking renewal of trade benefits to improvements in Beijing's human-rights performance.

The story of how he got there, reconstructed in interviews with senior administration officials, legislators and business and human-rights leaders, is a tale of broken campaign promises and fierce interagency battles, secret diplomacy and 11th-hour indecision.

Mr. Clinton decided on the central issue of extending the trade benefits months before his announcement last Thursday, although he was

still changing his mind about the details until the final moment.

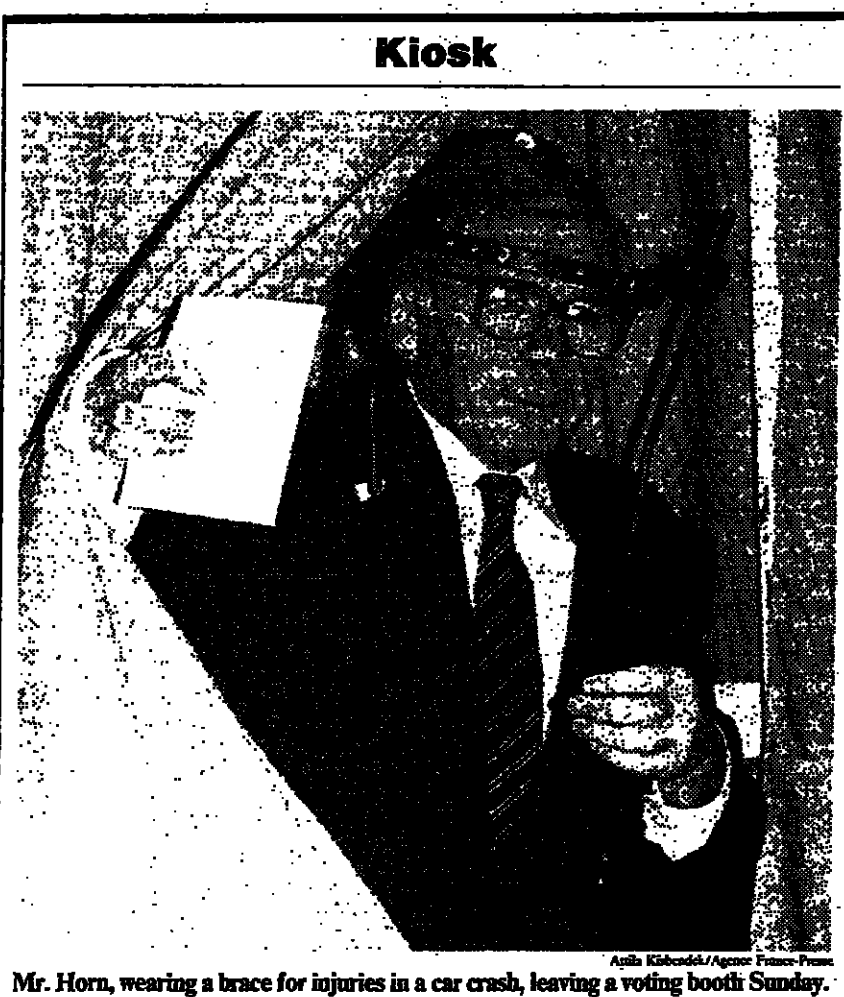
When Mr. Clinton began his presidential campaign, his views on China were shaped as much by his immediate political needs as by arguments about geopolitics.

The Senate majority leader, George J. Mitchell of Maine, and the AFL-CIO favored using the threat of withdrawing "most favored nation" benefits from China if it did not improve its human-rights record. Candidate Clinton, who needed their support to win the Democratic Party nomination, was not about to contradict them.

When it came time for the new president to draw up his policy last year, Mr. Mitchell and his allies in Congress threatened to pass legislation withdrawing China's trade benefits if Beijing did not do more to ease repression. To head off such a law, with its inherent inflexibility, Mr. Clinton asked his aides to draft an executive order that would mollify the Democrats in Congress but remain vague enough to allow the president to change course a year later.

With no senior member of the administration opposing the idea, Mr. Clinton signed Presidential Executive Order 12850 at the White House on May 28, 1993. It renewed China's trade benefits for another year but said China must meet two "mandatory" conditions to win another extension in June 1994: end restrictions

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Mr. Horn, wearing a brace for injuries in a car crash, leaving a voting booth Sunday.

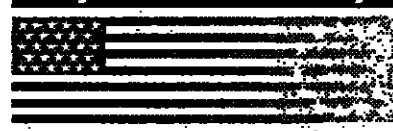
Hungary Ex-Communists in Majority

BUDAPEST (APF) — Hungary's former Communists won a parliamentary majority of at least eight seats Sunday in runoff elections after four years of conservative rule, the national election center said.

Revamped as the Hungarian Socialist Party and led by Gyula Horn, the foreign minister in the Communist government that fell in 1989, the former Communists were certain of getting 197 seats out of 386 in the National Assembly, with 99.92 percent of the vote in the center said.

Hungary thus appeared set to join Poland in shifting back to the left in a backlash against the pain of market-oriented reforms.

Fifty Years After D-Day



In this week's commentaries on Europe and the United States in the half-century since D-Day, a German, Frank Schirrmacher of the Frankfurt Allgemeine Zeitung and an American, Richard Grenier, a columnist for The Washington Times, examine the conflicts of culture. Page 6.

Taking Tea With the Emperor, Correctly

By T. R. Reid
Washington Post Service

TOKYO — Hushed and respectful, wearing our best suits, nervously reviewing our lessons on imperial etiquette, we stood stiffly at our assigned spots on the thick green carpet of the elegant reception chamber.

Suddenly, the rice-paper doors slid open, and muffled steps could be heard coming down the long palace corridor. "Remember," an earnest gentleman from the Imperial Household Agency hissed, "this is a social occasion."

Well, sort of. With final preparations under way for their

16-day royal visit to the United States next month, Japan's soft-spoken Emperor Akihito and his wife, the even softer-spoken Empress Michiko, invited a group of American journalists to take tea beneath the graceful fluted roofs of the Imperial Palace.

Beforehand, the reporters were required to attend a one-hour lecture on court history and protocol by the deputy grand master of ceremony, who gently advised us not to carry cameras, recorders or even notebooks into the royal presence.

Throughout the 40-minute session with the emperor and the empress, an extremely nervous corps of courtiers and palace bureaucrats kept

prodding and poking at us to make sure we stood only in the right places and spoke only at the right times.

And yet the handsome, stylish imperial couple radiated such charm that they managed to give the imperial tea the feeling of a "social occasion" after all.

Relaxed and natty in his trademark double-breasted suit, with a pure white handkerchief folded into three perfect peaks in his breast pocket, the gray-haired Akihito — now in his sixth year on the Chrysanthemum Throne, the world's oldest ancestral monarchy — seemed

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| Newstand Prices | | | |
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| Andorra..... | 9.00 FF | Luxembourg 60 L. | Fr |
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| Cameroon..... | 1.40 CFA | Oman..... | 8.00 Rials |
| Egypt..... | E.P. 5000 | Reunion..... | 11.20 FF |
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| Lebanon..... | USS 1.50 | U.S. Mil. (Eur.) | \$1.10 |

Former Policymaker Opts for Hands-On Health Care

By Paul F. Horvitz
International Herald Tribune

BOSTON — To understand Atul Gawande, find the place where medicine, politics and Mohandas K. Gandhi intersect. In Mr. Gawande's case, that turns out to be in close proximity to the White House. Very close.

His journey, through 28 short years of life, from a Hindu upbringing in small-town Ohio to a pivotal role in the creation of America's health-care future, is a

ing articles. Memories from the political battlefield remain fresh.

"It's a dream," he said in a recent interview. "To have come from where I've come from, had no concept of what the possibilities could have been along the way and having seen at the end of 28 years all the things that I've been able to see."

"Part of it is having been able to sit there with the president of the United States discussing how we're going to solve these problems."

"What's funny is I get that same feeling when I'm in the emergency room and someone has been shot or in a terrible car accident, and you're learning what to do to save these people's lives and make this incredible impact in their lives."

"I get the same feeling — almost disbeliever."

When Mr. Gawande refers to "where I've come from," he does not mean only Ohio. It might be equally accurate to start in the western Indian states of Maharashtra and Gujarat. There, his parents, Atmaram and Sushila, were reared amid the nonviolent struggle for independence led by Gandhi, a figure revered in the Gawande home. Later, Sushila Gawande would recall how the movie "Gandhi" had profoundly influenced her son in high school.

She and Atmaram traveled to the United States for medical training, met in New York, married and decided to stay. Born in Brooklyn's melting pot, Atul was sent to a Jewish nursery school, then a Roman Catholic school, then a nonsectarian private school before the family moved to Ohio. His father set up a urology practice, and his mother practiced pediatrics.

By the time he left for college, he said, his path was clear. The boy who had proudly carried his mother's pager would study medicine and return to Ohio to practice, just like his parents.

Stanford University changed all that. Mr. Gawande recalls. The world looked much larger. The year was 1984. Gary Hart was running for president, and Mr. Gawande signed on as a volunteer. There were anti-apartheid demonstrations to join. He chose to major in two subjects: political science and biology.

And it was at Stanford that he met his future wife, Kathleen Hobson. They were married in 1992 in a Hindu-Episcopalian ceremony, taking their vows from an adaptation written by Gandhi.

"His teachings form the basic values with which my parents really tried to raise me," Mr. Gawande says.

Soon after graduation, he was drawn to a new presidential campaign, then-Senator Al Gore's ill-fated 1988 attempt. The Gore connection led to considerable health-care research in the Washington office of another Tennessee Democrat, Representative James Cooper, who is sponsoring a major alternative to the White House health-care bill.

Like Mr. Clinton before him, Mr. Gawande won a Rhodes Scholarship to study at Oxford. In England, he raised money for Nelson Mandela's African National Congress and wrote a thesis about Indian-African relations in Natal, South Africa, where a young lawyer named Gandhi first vowed to battle social injustice.

Two years into his medical training at Harvard, Mr. Gawande was diverted by the candidacy of Mr. Clinton. He wrote a chum from the old Gore campaign. Bruce Reed, and volunteered. Mr. Reed, then Mr. Clinton's top domestic policy aide and now a White House official, persuaded Mr. Gawande to take on a full-time campaign job, briefing up a vague Clinton health plan.

"Young, eager and smart" is how Mr. Reed characterized the new aide. "He was able to steer the campaign clear of all the difficult, rocky on the health-care issue."

It was bloody political combat on four hours sleep a night. Mr. Gawande recalls. There were political blunders and "mistakes of immaturity," he concedes. But he is philosophical, saying, "Probably the best lesson I learned is that you can bounce back from mistakes."

His most anxious campaign moments came in a series of frantic faxes, speech drafts and briefings all focused on an address Mr. Clinton was to give in New Jersey on Sept. 24, 1992. Mr. Clinton unveiled a newly detailed health reform plan that day to fend off

damaging attacks by the campaign of President George Bush. The speech was the lead story the next day in The New York Times.

After slipping on the health issue all summer, Mr. Clinton showed his command of the subject in debates and won on Election Day with a surprisingly large number of voters who said health care was their primary concern.

But shifting from campaigning to governing proved daunting. Mr. Gawande says it was like leaving the front-line skirmishes for "the long slog."

From the "war room," he moved to Washington and became a senior adviser in the Department of Health and Human Services.

When the White House gathered a huge health-care task force to draft legislation, Mr. Gawande directed one of its three committees. He had 75 people working for him and was charged with devising a benefits package for all Americans, government subsidies for small businesses and the poor, a health insurance requirement for employers and a new policy to fold the huge Medicaid program for poor Americans into the overall plan.

Much of the benefits package will probably become law, but the rest is undergoing radical legislative surgery in Congress.

Mr. Gawande returned to medical school last winter because, he says, "That was where my heart was in the long haul."

"I want to be a good doctor," he says, but in the same breath adds: "But I've never been able to stay disengaged from the political process and policy for very long."



Atul Gawande on medicine and politics: 'Making an impact.'

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WORLD BRIEFS

Saddam Dismisses Prime Minister

BAGHDAD (Reuters) — President Saddam Hussein of Iraq dismissed his prime minister on Sunday and took over as head of government to tackle a grave economic crisis. The ruling Revolutionary Command Council said the change was needed because of the "anxious" United Nations embargo and "the need for special effort on economic issues to protect the living standards of the people."

Prime Minister Ahmed Hassan was dismissed after the Iraqi dinar plunged to new lows, sparking a direct attack on him by a newspaper published by Mr. Saddam's son, Uday. The newspaper, Babel, blamed the government for the currency's fall.

"Is this the curse of sanctions or the curse of confusion?" Babel asked, saying the poor were facing death. "The price of one egg is 13 dinars, a kilogram of tomatoes is 20, a kilogram of chicken 340, a kilogram of onions 60, a kilogram of mutton 350." A junior Iraqi government clerk earns about 500 dinars a month, a professor perhaps 2,000 dinars.

China and Russia to Strengthen Ties

BEIJING (Reuters) — China and Russia on Sunday pledged to strengthen cooperation in military technology and to develop economic and trade ties, the Xinhua press agency reported.

It hailed a visit to China by Prime Minister Viktor S. Chernomyrdin of Russia that ended on Sunday as "quite a success." It added, "Both China and Russia have expressed their satisfaction over the 'effective cooperation' in political, economic, scientific, cultural, military spheres and in maintaining public order over the past years and wished to expand and strengthen their cooperation in all these fields."

"The two countries will also continue to strengthen their military technology-related cooperation under the conditions of sticking to and abiding by international obligations as agreed by the two countries, the communiqué says," the agency added, without giving any details.

U.S. Dispute Hinders War on Drugs

WASHINGTON (WP) — An unresolved feud in the Clinton administration, which abruptly cut off Peru and Colombia from access to American counterdrug intelligence, has hindered all three nations to the fight of drug-smuggling aircraft and threatened to fracture a brittle alliance against the northward flow of drugs, according to civilian and military narcotics experts.

The halt in cooperation has created a significant opportunity for traffickers, the experts added. In retaliation for the intelligence cutoff, Peru has banned American AWACS and P-3 surveillance craft from its airspace. Colombia threatened last week to expel two U.S. radars. The two countries had no warning of the May 1 cutoff. On that day, the U.S. Southern Command suspended operation of U.S. ground-based radars in those countries and stopped allowing their nationals aboard U.S. surveillance flights from Ecuador.

As tense as the use of American flight-tracking data by Colombia and Peru to force down or shoot down suspected drug planes, the Pentagon, supported by the Justice Department, maintains that assisting in the shoot-downs breaks U.S. and international law. Senior State Department officials favor a policy under which the United States would continue to share the tracking data but express official disapproval of attacks in flight.

Northern Forces Shell Aden Airport

SANA'A, Yemen (AFP) — Northern forces have launched a fierce artillery assault on Aden airport to try to keep Southern planes from attacking advancing troops, a military spokesman said here Sunday.

But the Northern spokesman denied Southern claims that the North had unleashed a missile attack on the Aden, which killed a civilian on Saturday. "The explosions heard in Aden are the result of artillery fired from the legal forces against the air base at Aden airport," the spokesman told the SABA news agency.

There was no confirmation from southern sources of the shelling of the airport, which is situated between Aden's old city, the port and the suburbs.

German City Marks Neo-Nazi Attack

SOLINGEN, Germany (Reuters) — Politicians and Turkish and Jewish leaders called for a tougher crackdown on far-rightists as 2,500 protesters rallied on Sunday to mark the first anniversary of a neo-Nazi arson that killed five Turks.

Demonstrators rallied peacefully in the center of town Solingen and then marched to the site where the immigrant Genc family's house, now torn down, was torched in the bloodiest neo-Nazi assault since German unity in 1990. Johannes Ran, premier of North Rhine-Westphalia, told the crowd that Germany had a greater obligation to battle racism than other countries because of its history.

Four German rightists went on trial for murder and arson last month, accused of torching the house just six months after a similar racist firebombing killed a Turkish woman and two girls in the northern town of Mölln.

Pope Offers His Suffering for Peace

VATICAN CITY (Reuters) — Pope John Paul II, looking fit and speaking from the Vatican's windows for the first time since undergoing surgery last month, said he would offer his physical suffering for peace and the protection of the family.

The Pope, who left the hospital on Friday, four weeks after surgery to repair a broken leg, said he would discuss his suffering with the "powerful" people on this earth. He is to meet with President Bill Clinton at the Vatican on Friday, and their talks are expected to be dominated by abortion, which the Roman Catholic Church has long opposed.

"I must guide the Church of Christ into the third millennium with prayer, with varied initiatives but that is not enough," the Pope, 74, said in a clear, strong voice. "I must also suffer — with the attempt on my life 13 years ago, and with this recent sacrifice." The Pope had an alloy replacement inserted on April 29 for part of his right femur after he slipped in his bathroom and broke the limb.

TRAVEL UPDATE

Abu Dhabi to Cut Some Hotel Rates

ABU DHABI (AFP) — The Gulf emirate of Abu Dhabi will halve hotel room prices this summer to attract tourists, an official here said.

The 50-percent cut in rates at more than 15 hotels will apply between June and September, said Abdullah Saeed, deputy manager of the state-run Abu Dhabi National Hotels Company. "The decision to slash prices came after detailed studies by tour officials and operators with the aim of activating tourism," he said.

A heat wave in northern India, with temperatures as high as 49 degrees centigrade (120 Fahrenheit), has killed at least 70 people.

Striking hotel workers in Bermuda have returned to work after a court declared their walkout illegal.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Britain, Croatia, Nicaragua, Puerto Rico, United States.
TUESDAY: Brunei, South Africa, United Arab Emirates.
WEDNESDAY: Kenya.
THURSDAY: Austria, Bhutan, Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, Liechtenstein, Monaco, Poland, Portugal, Vatican City.
FRIDAY: Bahamas, Uganda.
SATURDAY: Iran, Malaysia, Zambia.

Sources: J.P. Morgan, Reuters.

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THE AMERICAS / 'DON'T TALK'



GETTING OUT THE FLAG — Six-year-old Veronica Mrez heading for an open area of Glendale Cemetery in Des Moines, Iowa, to help her father's Boy Scout troop mark veterans' graves in preparation for Memorial Day ceremonies.

Away From Politics

• A single-engine plane crash-landed on a golf course in Leonardtown, Maryland, missing the fairway and splashing into a pond. Neither the pilot nor the 70 to 80 golfers on the course were injured. "He just hit the pond and that was it, and they played right through," a police officer said.

• Up to 25,000 Hispanics marched through central Los Angeles to protest what participants called a growing sentiment in California and the nation against both legal and illegal immigrants.

• Schools do not have to allow students who

are Sikhs to wear a small dagger, which is considered a symbol of religious devotion, a federal judge in California has ruled. School officials in Livingston, California, had refused to allow the knives, called kirpans. A Sikh family sued, claiming the policy placed an unlawful burden on their freedom of religion.

• Officials at The Citadel, one of the nation's last two public all-male military colleges, have been ordered by a federal judge to begin preparing a plan for co-edification. The order by Judge C. Weston Houck indicates that he

may soon force the college in Charleston, South Carolina, to admit women. Judge Houck also ordered officials at the college to develop a program to deal with any incidents of sexual harassment or abuse that could result from the inclusion of women.

• Three Chinese men detained in New York for nearly a year since the freighter in which they were being smuggled ran aground have been released by immigration authorities. A judge had granted them political asylum on the grounds of China's coercive population-control policies.

NYT, AP, LAT

Einstein Funny? Princeton Has Doubts

By James Barron

PRINCETON, New Jersey — Explaining the theory of relativity might be simpler than explaining why not everyone is thrilled with a film starring Walter Matthau as Albert Einstein. The film, "I.Q.," is not even finished yet. The movie-makers have shot some scenes in a little white house down the street from Einstein's own little white house. They have shot other scenes at the Institute for Advanced Study, the high-powered think tank where he tinkered with equations from the late 1930s until his death in 1955 (and where officials winced at the term "high-powered think tank").

For brief moments in the last few weeks, they have replaced the BMWs, Volvos and Mercedes that crowd the streets here with 1950s Detroit steel: sedans, coupes, even a Chevrolet pickup truck.

But in a town where some people remember the great frizzy-haired physicist shuffling around in an old sweater and no socks, no one quite picture him tooling around in an attention-getting 40-year-old Chrysler, which is what the movie makers have been filming Mr. Matthau in. And though it may be a comedy, the town is taking this rather seriously.

"Albert was a very fine person, and I don't want to see him Hollywoodized," said Peter Panagot, an institute faculty member. "I didn't know how cutesy-pie this whole thing would be."

At Selberg, a professor emeritus at the institute, said that the Einstein in "I.Q." "seems to me to be rather out of character."

"The movie, he added, "may be a good comedy, perhaps, but not about Einstein."

"Was it about physics. The comedy features Meg Ryan as Einstein's niece and Tim Robbins as a ne'er-do-well car mechanic that Einstein is determined to make her fall in love with."

The problem: She is engaged to a somewhat stodgy researcher at a certain high-powered think tank.

For the record, Einstein had no niece and the think tank has been renamed the Princeton Institute.

The movie-makers have been uprooting 1990s mailboxes and parking meters and filling store windows with 1950s displays.

"I was walking along, and I saw these shoes in the window and thought, 'Oh, wow, finally

'Albert was a very fine person, and I don't want to see him Hollywoodized. I didn't know how cutesy-pie this whole thing would be.'

Peter Panagot, an institute faculty member.

They're getting clothes in this town that I'll buy," said Pamela Hersh, the director of Community and State Affairs at Princeton University.

There were the usual street closings to accommodate the shooting schedule. And there was Ray Wadsworth, who feared that the producers' promises of a financial bonanza for the town would go unfulfilled.

"I'm sick and tired of people coming into Princeton and changing our lives," said Mr. Wadsworth, who owns a flower shop and a bakery and is on the Princeton Borough Council.

"Two years ago, they had a governors' convention here. We paved the streets with gold. If they spent two cents in this God-blessed town, that was a lot. Almost put the merchants out of business."

Well, you only burn Ray Wadsworth one time.

He remains on alert.

"They wanted to go into Mercer Street by Einstein's house at 7 in the morning," Mr. Wadsworth said. "I told them, 'You can't do that, go in at 9.' They did."

That gave the cast two more hours to eat bagels from Alfred Kahn's shop. He knew exactly where he was going with the delivery.

"My grandfather used to deliver milk over there," Mr. Kahn said. "I don't know whether they were speaking German or Yiddish. I had no idea to whom he was speaking, being 5 or 6 years old, but I knew this was a famous guy."

He has only one concern about the movie: that Mr. Matthau is too tall to be Einstein. "I remember my grandfather used to tower over him," Mr. Kahn said.

They remember him at the institute, too. The myth is that Einstein's office was locked after his death and equations remain scribbled in the dust on his desk. Norman McNatt, an institute official, said that the room had long since been reassigned and redecorated.

"Einstein kept to himself most of the time," said Mark Darby, another staff member at the institute. "He did write articles with other people, but he didn't hang out. He wasn't convivial or out-directed. I don't know how you take someone like that and move a comic plot in a movie by being jovial."

"Einstein was affable enough," he said. "People always said that if you ran into him on the street, he said hello. A maid would walk along with him remembers their conversations. The stereotypical Princeton professor doesn't talk to people. This is not Harvard, but it's still not the friendliest place in the world."

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CIA and FBI Seek Delay In Hearings for Spy

WASHINGTON — The House and Senate intelligence committees have been asked by Justice Department officials to delay their possible questioning of the confessed spy Aldrich Hazen Ames until the FBI and the Central Intelligence Agency have finished debriefing him.

The officials have argued that interrupting the interrogation of Mr. Ames, who faces a life prison term after pleading guilty to spying for Moscow, for Capitol Hill appearances could have a harmful effect on what investigators hope to learn from him.

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Once-Bold Mafia Loses Its Swagger

By Selwyn Raab

NEW YORK — Not so long ago, when the Mafia was an expanding industry, mobsters in the New York area were so indifferent to law-enforcement surveillance that they talked freely in their clubhouses, exchanged traditional kisses on the cheek at street meetings and often mocked investigators who trailed them.

But buffeted by convictions, electronic spying by investigators, top-level defections and deadly internal feuds, many leaders and soldiers in New York's five Mafia families are altering their underworld way of life.

Law-enforcement officials assert that a widespread fear among Mafia members of being infiltrated by informers or even observed talking with each other has compelled Mafia members in New York and New Jersey to take extraordinary defensive measures.

The difficulties for New York's five entrenched families and two smaller ones in New Jersey stem largely from the successes of campaigns begun 10 years ago by federal and state

law-enforcement agencies. In the last five years, more than 300 top- and middle-echelon leaders in the seven families have been convicted or are awaiting trial, prosecutors say.

As examples of the mob's new defensive tactics, officials cited these recent developments:

• The Ravello Social club, the Gambino crime family's favorite gathering spot in the "Little Italy" section of New York for more than 30 years, is shuttered six days a week.

The storefront club on Mulberry Street was the daily headquarters for John Gotti, who prosecutors charged was the boss of the family, before his conviction and imprisonment in 1992 on racketeering and murder charges. It is occasionally open on Wednesday nights when Mr. Gotti's brother, Peter, meets with a few loyalists.

• Genovese crime family members sometimes travel to meetings curled up on a car floor or in the trunk to avoid being tracked by investigators.

• Members in several families have been ordered never to utter the real names of leaders

and to refer to them in conversations throughout to mob code names or by hand signals.

• In some families, soldiers are rejecting pro-motions to capos, the captains of crews or units, apparently for fear it would make them auto-hard Nixon's targets of law-enforcement agencies.

• Signs have blossomed in many mob clubhouses warning: "Don't talk. This place is bugged."

"They've become so paranoid about being bugged that I wouldn't be surprised this summer if they held meetings on the beach in Manhattan, who was swimming," said Joseph J. Coffey, the head of the leadership intelligence for the New York State Organized Crime Task Force.

Since 1990, most of the Mafia's roster of bosses, underbosses and acting bosses in New York and New Jersey have been sentenced to long prison terms on racketeering charges or have defected to testify against their former underworld colleagues.

Additionally, authorities say that prosecutions and civil suits have uprooted the Mafia's control of major unions in the New York region.

Cubans Ask For Asylum In Embassy

Agence France-Press

HAVANA — A spectacular occupation of the Belgian Embassy by more than 100 Cubans seeking asylum raised the specter for the government Sunday of a new wave of embassy takeovers.

Cuban police were surrounding the Belgian ambassador's residence in the Miramar section of West Havana, where as many as 124 people, among them 24 children, broke in Saturday.

The asylum seekers appeared well organized, taking advantage of a weakness in the residence's surveillance system. They gathered secretly in a neighboring square, rushed the entry gate and scaled the security fence shortly after noon.

The Cuban foreign minister, Roberto Robaina, acknowledged the unusual size of the group, but reassured the government's policy of not dealing with people trying to obtain asylum through "pressure and force."

"This is not the way, the mechanism to follow for those who want to leave the country," Mr. Robaina said. He asked the asylum seekers to leave the grounds voluntarily.

In Belgium, Foreign Minister Willy Claes signaled that the Cubans would not be allowed to stay in the residence. He told Belgian radio: "We will attempt to ensure at least that these people are not pursued, that they are not punished if they have to leave the embassy."

In the most recent embassy takeover, eight Cubans who entered the Belgian ambassador's residence in January surrendered peacefully a month later after Belgium secured formal assurances from Cuban authorities that the eight would face no charges.

POLITICAL NOTES

Chipping In for Chopper Trip

WASHINGTON — Thirteen senior White House officials have volunteered to help a disarming senior aide repay the government the \$13,129.66 cost of his helicopter trip to play golf near the presidential retreat at Camp David, Maryland, and the White House acknowledged that a second helicopter took part in the outing.

In his resignation letter, the aide, David Watkins, was unrepentant. "I firmly believe that my actions were in fulfillment of the responsibilities of my position," said Mr. Watkins, who was head of the White House Office of Administration.

Mr. Watkins, a longtime friend of President Bill Clinton and his wife, Hillary Rodham Clinton, said that "there simply was no effort on my part to use White House or military equipment for personal or recreational purposes" and that his "sole motivation was determining how you could utilize Camp David more frequently."

The White House chief of staff, Thomas F. (Mac) McLarty, who is among those contributing to repay the cost of the helicopter, called the decision by Mr. Watkins to take the flight to play golf "an unfortunate error."

The aides contributing to the repayment fund included nearly the entire senior White House hierarchy, including the two deputy chiefs of staff, Philip Lader and Harold Ickes; the special counsel, Lloyd M. Cutler, and George Stephanopoulos and David R. Gergen, special advisers. A source said the idea of having White House staffers contribute to the repayment fund arose when Mr. Watkins balked at paying the full amount.

Mr. Clinton said he was "very upset" when he learned that Mr. Watkins and Alphonso Maldon Jr., director of the White House Military Office, had taken one of the presidential helicopters last Tuesday for the golf outing. A second aircraft went along on a training flight. Mr. Maldon, who was acting under Mr. Watkins' orders, is being reassigned.

(WFP)

A Small World for President

NEW YORK — The judge assigned to the sexual harassment case against President Clinton was once his student and campaigned against him in his unsuccessful run for Congress in 1974, a newspaper specializing in legal issues reported Sunday.

The report in the weekly National Law Journal depicts what might be interpreted as an adversarial relationship between Mr. Clinton and the U.S. District Court judge, Susan Webber Wright. Sources in Arkansas legal circles, however, said

the past association between the president and Judge Wright was no cause for concern. She is viewed as highly competent by members of the Arkansas Bar, including Mr. Clinton's private lawyer in the state capital, Little Rock.

"She's solid," Stephen Engstrom said of Judge Wright. Mr. Engstrom is assisting Robert S. Bennett, a Washington lawyer, in Mr. Clinton's defense against a sexual harassment lawsuit brought by Paula Corbin Jones, a former Arkansas state employee.

In 1974, Miss Wright served as a volunteer in the campaign of Representative John Paul Hammer-schmidt, a Republican, when Mr. Clinton tried unsuccessfully to unseat him. Mr. Clinton also taught Miss Wright during his time as a professor of law at the University of Arkansas in the mid-70s.

Judge Wright, a Republican, was appointed to the bench in 1989 by President George Bush. She was assigned the Jones lawsuit at random.

(Reuters)

Rostenkowski Rejects a Deal

WASHINGTON — Representative Dan Rostenkowski, Democrat of Illinois, has rejected a proposed plea agreement that would allow him to avert a broad criminal indictment on federal corruption charges, according to lawyers involved in the case.

Mr. Rostenkowski's lawyers, who are still urging him to accept the agreement, have told federal prosecutors of the decision but asked them not to consider it final until the government's deadline on Tuesday, in the hope that he might change his mind. But there appeared to be no firm reason for thinking he might do so, the lawyers said.

Without an agreement, prosecutors plan to seek a federal grand jury indictment on Tuesday accusing Mr. Rostenkowski of more than a dozen corruption charges, lawyers in the case said. The charges include taking thousands of dollars in cash payments from the House post office disguised as stamp purchases, converting a government-leased vehicle to his personal use and putting people on his office payroll who did no work.

Mr. Rostenkowski, chairman of the House Ways and Means Committee, has denied any wrongdoing. (NYT)

Quote/Unquote

President Clinton in a radio address: "In this new era, we cannot dispatch our troops to solve every problem where our values are offended by human misery. And we should not. But we are prepared to defend ourselves and our fundamental interests when they are threatened." (AP)

Colombian Elections Get Under Way Peacefully

The Associated Press

BOGOTA — Colombians emerging from an era of bombings and assassinations voted for a new president on Sunday, with the two leading candidates both survivors of their own brushes with violence.

The architect of much of the mayhem, Pablo Escobar Gaviria, is now dead, and Colombians hope the next president's term will be one of relative peace.

President Cesar Gaviria Trujillo reflected an upbeat feeling among many voters at polling stations in Bogota. "The elections have begun in total peace," he said after voting.

The president, limited by the constitution to one term, urged Colombians to turn out en masse to "defeat violence and consolidate democracy."

Three presidential candidates were assassinated before the last election, held in 1990. Soldiers patrolled parking lots and plazas where voters marked paper ballots and put them into cardboard boxes Sunday. Leftist rebels had threatened to disrupt voting, but no major incidents were reported.

But the Cali cartel, which clandestinely helped the government fight the rival Medellin gang, has now become the world's biggest supplier of cocaine, and, according to law-enforcement officials, has infiltrated and corrupted many levels of Colombia's government.

The government has been negotiating surrender terms with the Cali kingpins in exchange for leniency. Some Colombians fear that if the surrender talks fail and the

government gets tough with the Cali cartel, the days of bombings and assassinations will return.

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Bugs Beat Shoplifters, Stores Find

New York Times Service

WASHINGTON — Not satisfied with video cameras, many retail stores, restaurants and fast food outlets are expanding their surveillance by tucking tiny electronic ears in secluded places.

They say the devices, which record conversations on tape, give shopkeepers another tool to prevent theft, whether by burglars or employees, and to monitor how workers treat customers.

But some can also pick up conversations in booths 25 feet away. The use of concealed cameras, some secreted behind one-way mirrors in department stores, is also rising.

A South Florida security company, U.S. Arms, has installed at least 1,000 hidden microphones in retail stores, said the company's owner, Allan Lawrence. "Audio is so much bigger than video," he said. "Video tells you who it is, but audio tells you what they're doing."

Mr. Lawrence said he had sold dime-sized microphones to department stores that put them in

clothing racks so the stores could eavesdrop on customers who might be working together to steal merchandise. He said his sales had surged in just the last six months, partly because the systems have become cheaper.

A system for a small store, with eight microphones and an endless-loop tape machine, would cost about \$7,000, he said. "Restaurants have them in the kitchens because a lot of stuff goes out the back door," he said.

Audio surveillance appears to be so new that most advocates of consumer privacy interviewed, including Robert Ellis Smith, publisher of the monthly Privacy Journal in Providence, Rhode Island, said they had never heard of it.

Some companies that sell surveillance gear are steering clear of audio systems because of potential legal challenges. Except when serious crime is involved, federal law prohibits eavesdropping unless one of the two participants in a conversation knows about it.

CIA and FBI Seek Delay In Hearings for Spy

Washington Post Service

WASHINGTON — The House and Senate intelligence committees have been asked by Justice Department officials to delay their possible questioning of the confessed spy Aldrich Hazen Ames until the FBI and the Central Intelligence Agency have finished debriefing him.

The officials have argued that interrupting the interrogation of Mr. Ames, who faces a life prison term after pleading guilty to spying for Moscow, for Capitol Hill appearances could have a harmful effect on what investigators hope to learn from him.

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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Rwanda: At Least Do This

The members of the United Nations are doing something seriously wrong in Rwanda. In mid-May they voted to take certain measures, including the dispatch of additional peacekeeping troops, to contain the slaughter, offer relief to the survivors and give backing to diplomatic attempts to bring about a ceasefire. The Security Council decided on this program—a very modest one considering the scale of the inferno—in order to meet the prudent objections of its members, especially the United States. But having marched up the hill of promises, the United Nations is collapsing on delivery. It is not putting into effect even its own minimal program to deal with one of the great human-rights tragedies of contemporary times.

UN Secretary-General Boutros Boutros Ghali calls it a scandal and a failure. Some may smart under the criticism. But others seem to be taking palpable relief in having not been drawn into a Somalia-like engagement where there is no structure or working government to bolster, only a condition of chaos and anarchy to avoid.

This is understandable as a reaction to political pressures not to get involved. Few Americans claim the United States has a "national interest" in saving Rwanda. But the implications of this detachment are grave.

With good reason, Mr. Boutros Ghali also calls what is taking place in Rwanda a "genocide." This is the deadliest of political sins and one that the company of nations has outlawed and pledged to prevent. Yet here are other-wise unoffending people being killed in the hundreds of thousands, and being displaced in the millions, on the basis of tribal or ethnic distinctions. Most other countries appear little disposed to act, even to recognize a special problem compelling response.

At the least, international sentiment ought to be roused behind a call for an immediate ceasefire. The countries ready to provide peacekeeping forces—Ghana, Ethiopia and Senegal—ought to be joined by others and enabled to begin their mission at once. As much of an international presence as possible ought to be mobilized to give pause to the Hutu army, chief perpetrators of the slaughter. Humanitarian aid can be provided, perhaps best now at the borders. No one would say that responses of this order at all match the need. But they are a down payment on a fuller recognition that nowhere should genocide be regarded as regrettable but too inconvenient to do anything about.

—THE WASHINGTON POST.

The Rumbling in Europe

Migration is becoming one of the great forces changing the world's politics, and nowhere more dramatically than in Europe. For a generation after World War II, Western Europe was largely segregated from the populations to its east and south by the Iron Curtain and the Mediterranean. In the 1990s, an era of cheap travel and relaxed border controls, millions of people are on the move, drawn by prosperity and pushed by fear and war at home. Many Europeans, in reaction to this new pressure, feel beleaguered. It is reflected in the way they think about the world, and the way they vote.

In Germany, one of every 12 residents is not a citizen. That is almost twice the proportion in the United States—although it is the United States that traditionally welcomes immigrants and Germany that traditionally does not. Some of the noncitizens in Germany have been there for a long time, like the Turkish workers who arrived in the 1960s. But there are also nearly 400,000 refugees from ex-Yugoslavia. And Austria is carrying, in relation to its size, an even heavier burden of Yugoslav refugees.

Poland is accustomed to thinking of itself as a poor country. Long before its Communist regime fell it allowed Poles to travel westward, generally as peddlers or day laborers, generally working illegally. But now Poland has become aware of peddlers and day laborers filtering across its own eastern border, especially from the economic disaster in Ukraine. With mixed feelings, Poles have begun to realize that by the standards of much of the rest of the world their country is a model

of prosperity and a desirable destination. France in particular is feeling the effects of long economic stagnation throughout North Africa, and the sharpening tension between the government and Muslim fundamentalists in Algeria. But asylum-seekers from sub-Saharan Africa tend to go to Germany, perhaps because of the generous social benefits there.

One consequence of the civil wars and tribal rivalries in Africa, little noticed in the United States, is the steady drift of refugees northward. For those who can get a plane ticket, even a wretched life on the streets of a European city selling trinkets to tourists may be preferable to conditions at home.

Since the African and Asian newcomers have darker skins than the Europeans, resentment of them is often couched in explicitly racist terms. And since the respectable political parties will have nothing to do with racism, the subject of population movements is often left to the less-than-respectable. The results are clearest in Germany, where immigration is heaviest. But similar rumbling is audible in every European country. Even law-abiding people of the most humane instincts find this rapid inflow of strangers to be troubling—a drain on public budgets and a threat to the customs of communities far more accustomed to homogeneity than, say, most of their counterparts in the United States.

The pressures of migration keep rising around the world. Dealing with them fairly and decently is close to the top of the list of urgent necessities that, in the 1990s, are taking Europe's politicians by surprise.

—THE WASHINGTON POST.

Close the Hi-Tech Window

Nuclear-arms makers in Iraq, Iran, India and Pakistan were just some of the recipients of U.S. high-technology exports in the past—exports that they could use to make bombs. Yet even as nuclear proliferation emerges as the principal threat to America's security, bills wending their way through the Senate and House would make it even easier for renegade states to obtain U.S. technology useful for building bombs.

The technology of concern has both civilian and military uses, like machine tools for grinding bomb parts to exacting specifications and devices known as krytrons, electronic triggers used to fire up photocopying machines that can also serve as nuclear detonators.

Some relaxation of export controls makes sense. For instance, U.S. exporters are entitled to a level playing field when it comes to getting expeditious licensing decisions. A 90-day deadline for decisions embodied in these bills goes too far to boost exports at the expense of preventing proliferation. Congress needs to redraft them.

Easy waivers of reasonable regulations, as provided in the proposed legislation, are unjustified. The Senate bill, for instance, authorizes the secretary of commerce, acting alone, to grant relief from export controls. That is a clear conflict since the Commerce Department's prime purpose is to promote U.S. exports. Other agencies charged with curbing proliferation, such as the Defense and State departments, need to be involved in such decisions.

The bills rightly reflect the fact that U.S. export controls will not work when too many suppliers abroad refuse to abide by them, putting American manufacturers at a competitive disadvantage. But multilateral controls have usually been established when the United States imposed tough standards of its own and persuaded other states to follow its lead. And that takes time.

The bills, however, do not allow much time. They mandate that the U.S. government relax its own controls within 18 months if they are not adopted by other supplier states. But knowing that U.S. controls will expire can only reduce the incentive for others to follow suit. That will lead to the lowest common denominator of international control—or none at all.

The bills also fail to require the collection of data that would make it easier to detect and stop proliferators. The U.S. Customs Service wants to require shippers to file export declarations electronically in advance for all goods, licensed or not, identifying the product being transported and its ultimate destination. That would enable U.S. agencies to identify patterns of suspicious shipments and sometimes seize unlawful exports before they embark.

The General Accounting Office has documented how, even under existing law, the United States has too often failed to prevent shipment of dangerous technology to would-be nuclear-weapons states. From 1988 to 1990, for instance, of the 410 applications that U.S. companies filed to export nuclear-related technology to Iraq, only 5 percent were turned down. One-third of the 89 applications to ship to sensitive end-users like the Iraqi Ministry of Defense were approved.

The GAO found equally lax patterns for exports to Iran, Pakistan and India. Prudent licensing regulations, carefully monitored, could prevent a dangerous repetition.

The job loss from such regulation is minimal. In 1992, for instance, U.S. export of manufactured goods totaled \$447 billion. Only \$18 billion—barely 4 percent—required a license to be shipped abroad. Licenses were denied for less than \$700 million worth of goods, or one-tenth of 1 percent of all manufactured goods exported.

In a \$6 trillion economy, that does not affect many jobs. It is a fair price to pay to prevent proliferation from getting out of control.

—THE NEW YORK TIMES.

U.S. Asia Policy Is Finally Getting on Track

By William Clark Jr.

WASHINGTON—In matters of diplomacy it could be said that those who do not know reality will sooner or later discover it. President Bill Clinton and his advisers, having alienated many countries in Asia by applying well-intentioned but poorly conceived policies, are starting to take a more pragmatic approach.

Mr. Clinton's decision last week to continue most-favored-nation trading benefits for China and no longer make renewal of these benefits conditional on Beijing's human rights performance was a step in the right direction. There have been others, some less publicized, which suggest that the administration has been rethinking its Asia policy.

The seasoning of U.S. policy is evident with India. There the Clinton administration at first launched policy initiatives on the two most sensitive issues: the Kashmir dispute and security relations between Pakistan and India. The program of economic liberalization being carried out by the Indian government was largely overlooked. The result: very little progress toward resolving either of the sensitive issues and a cooling of U.S.-Indian relations.

However, during the recent visit to Washington by Prime Minister P. V. Narasimha Rao, useful efforts were made by Mr. Clinton and his aides to set matters right. Regional nuclear proliferation was played down; Kashmir was relegated to bilateral discussions between India

and Pakistan. The emphasis was shifted to economics, where the United States and India have considerable interests in common. Overall, American policy toward India is now approaching a more sensible posture.

The Clinton administration is still formally considering whether to withdraw low-tariff trade privileges from populous Indonesia. It has said that it may do so by August unless the rights of Indonesian workers are improved.

In April, the United States sought to put the issue of labor standards in developing nations onto the agenda of the World Trade Organization, to be GATT's successor, despite opposition from many Asian states, which regard the move as an attempt to blunt their competitive advantage. As in the case of China and human rights, Washington has adopted a less strident tone on these issues. Quiet but persistent diplomacy promises better long-term results.

With Singapore, Mr. Clinton intervened personally in the case of the young American, Michael Fay, who was sentenced to be caned for vandalizing cars. The U.S. trade representative, Mickey Kantor, who evidently was outraged by the caning, said that the United States opposed Singapore's bid to host the first ministerial meeting of the World Trade Organization next year.

Since then, however, the administration has distanced itself from Mr. Kantor's stance. His veto will not hold; that, too, is the right policy.

The United States has moved out of reverse gear in its trade talks with Japan. Washington was unyielding in February, working on the assumption that Tokyo would fold under pressure. Having failed to obtain numerical targets on trade, Mr. Clinton invoked the threat of sanctions, and the negotiations with Japan were broken off. Although the government of Prime Minister Morihiro Hosokawa collapsed for other reasons, the Japanese still refused to make the concessions demanded by Washington. Now, following the relatively narrow agreement reached Tuesday on how to measure access to Japanese markets, the talks are to resume.

In all these cases, U.S. policy, though still fragmented, is moving in the right direction.

The downside is that the Clinton administration, having staked out untenable positions that angered Asian nations, now gives the appearance of backing down instead of finding its footing. It will take some time to regain the credibility America has lost during this learning period.

The writer, a former U.S. assistant secretary of state for East Asian and Pacific affairs, is senior adviser at the Center for Strategic and International Studies in Washington. He contributes this column to the International Herald Tribune.

Credit Clinton With a Pragmatic New Approach

By Hobart Rowen

WASHINGTON—Not a moment too soon, the Clinton administration has reversed effects of what was fast becoming a failed Asian economic policy. For that it deserves much credit.

By taking new action to support the dollar and revising approaches to Japan and China, President Bill Clinton is leaving behind "aggressive unilateralism," an attitude that shook global confidence in his administration. No doubt, he will be criticized for flip-flopping.

What is important is that Mr. Clinton is now doing the right thing in three critical areas that can yield dividends not just for the U.S. economy but for the global economy.

First was his decision in late April to join with other countries in an effort to prop up the dollar. The U.S. currency, as Treasury Secretary Lloyd Bentsen said, had fallen "beyond what is justified by economic fundamentals," notably against the yen. And it was sinking despite the tightening of interest rates by the Federal Reserve Board.

Mr. Bentsen instituted "benign neglect" of the dollar's decline against the yen a year ago as part of the effort to reduce Japan's trade surplus with the United States. A costlier yen, it was reasoned, would limit Japanese exports to America. The dollar declined, with no no-

ticeable effect on U.S.-Japan trade imbalances, raising questions abroad about the management of the U.S. economy and contributing to the recent volatility of the stock and bond markets.

Treasury officials at first tried to pretend that the problem was the strength of the yen, not the weakness of the dollar. But that excuse didn't wash. Intervention in the exchange markets may not work to the extent Mr. Bentsen hopes. But at least he has now junked the open invitation he had extended for the dollar to decline, always a dangerous gamble.

The second major policy adjustment was Mr. Clinton's decision Tuesday to withdraw the misguided effort he had launched to force Japan to set numerical import goals for a number of products. Despite denials by trade officials that such import quotas had been sought, this led to a breakdown of trade negotiations.

The new, softer approach may produce no greater access to Japanese markets than the old threat of unilateral sanctions. Yet recognition that there is more to the U.S.-Japan relationship than trade is an important first for the Clinton administration and a rebuke to the trade hawks who have until now dominated U.S. relationships with Japan.

Wiser heads absorbed the message conveyed by financial markets. As a Salomon Brothers Inc. report put it: "The Clinton administration is learning that there are limits to the ability of a single country—especially one with a current deficit—to run policies that are viewed as unacceptable by international investors."

The administration had argued rightly that the time had come for Japan to reduce its huge global surplus. Most of America's European partners agree. But they never endorsed Washington's unilateral tactics, fearing they might be next.

The third element in the new Clinton Asian economic policy, announced Thursday, is extension of most-favored-nation trade privileges, reversing the president's pledge to withdraw those privileges if China failed significantly to improve its human rights record.

Mr. Clinton's heart was in the right place when he made that pledge. Despite recent economic

gains in China, Beijing's record on human rights remains abysmal. But there is convincing evidence that manipulation of trade privileges is the wrong lever with which to achieve the human rights goal. As Senator Bill Bradley and others have suggested, there must be a better way to enhance human rights without scuttling U.S. trade with China—which, by the way, enjoyed a \$23 billion surplus with the United States last year.

By decoupling trade privileges from human rights, Mr. Clinton admits that he made a tactical error. It remains to be seen whether he will proceed to keep a focus on the rights issue, while building a new relationship with China.

One modest proposal worth considering comes from Human Rights Watch, which urges American corporations to take a "proactive" human rights stance while doing business in China. Examples of such a policy: Companies would shun use of prison labor and would protect employees' right of free expression.

There is daylight at the end of this tunnel, Mr. Clinton was losing credibility in Asia. Belatedly, he is trying to alter the international view of the United States as, in the words of his Asia expert, Winston Lord, "an international nanny, if not bully."

The Washington Post.

Why Seoul Should Stand Firm

By Gerald Segal

SEOUL—In a step that could lead to sanctions against North Korea, the International Atomic Energy Agency reported on Friday that Pyongyang's Council on Friday had inspected a key nuclear reactor might make it impossible to verify whether weapons-grade plutonium had been diverted.

The agency had earlier demanded, in vain, that removal of fuel rods from the atomic reactor be halted.

That events on the Korean Peninsula have reached this critical point shows the limits of China's influence in, and insight about, North Korea. Beijing has argued that the international community should use incentives, not pressure, against Pyongyang. Yet the North has scorned the incentives and defied the outside world.

In the process, it has humiliated Chinese diplomacy. North Korean officials now readily accuse their old Chinese allies of duplicity. The Stalinist regime of Kim Il Sung may well regard the reform and opening of China, which Beijing has opened to Pyongyang should follow, as a recipe for chaos and capitalist subversion.

Japan has been consistent than China toward North Korea. It is now limiting the amount of money sent home by North Koreans living in Japan, as requested by the United States. It stands ready to support any UN Security Council sanctions. Despite the uncertainty in Japanese policy, Tokyo has begun to explore ways to widen military cooperation with America in event of a Korean crisis.

South Korea has the most to lose should things slip out of control.

The South sees the issue primarily in terms of the national security of the two Koreas. The United States and many other countries outside the region see the problem largely in terms of the need to stem the spread of nuclear weapons. It is thus not surprising that there are doubts about South Korea's readiness to stand firm against the North.

Some influential South Koreans assert that confronting the North over nuclear weapons will make national reunification more difficult to achieve. The opposite is true. A nuclear-armed North will at best be a more difficult negotiating partner, and at worst a very dangerous bully.

The writer is a senior fellow at the International Institute for Strategic Studies in London and editor of *The Pacific Review*. He contributes this column to the Herald Tribune.

From Clinton and Powell, Bracing Words to a Glum Generation

By David S. Broder

WASHINGTON—With Memorial Day and the 50th anniversary of D-Day falling a week apart, this is a time for acknowledging the debt the living owe the dead. Equally, it is a time for reflection on the obligations that heritage of sacrifice imposes.

Many have spoken to those themes in recent days: none better, I think, than President Bill Clinton and Colin Powell, the retired chairman of the Joint Chiefs of Staff. The words of Washington officials tend to be devalued, but these deserve to be read without the stain of cynicism that besmirches so much of our thought.

The common theme of Mr. Clinton and Mr. Powell is the paradox that confronts almost any thoughtful person: Why is there such hopelessness and ill temper among young Americans when the events of their lifetime should give them such confidence in their nation and its prospects?

In commencement addresses, the president and the general both referred to the extraordinary changes that have occurred in the world just

in the four years since the class of 1994 entered school.

As Mr. Clinton noted at Gallaudet University, the University of California at Los Angeles and the Naval Academy, and General Powell pointed out at Howard University, the graduates' college years have seen the end of the Cold War, the fall of the Berlin Wall, the breakup of the Soviet Union, the election of the first democratically chosen government in Russia, the agreement of Israel and the

Palestine Liberation Organization on self-rule in Gaza and the end of apartheid and the establishment of a freely elected, multi-racial government in South Africa.

The heroes of these changes— from Mikhail Gorbachev and Boris Yeltsin to Frederick de Klerk and Nelson Mandela—are people old enough to have witnessed D-Day, even if they were not there. General Powell and President Clinton also referred to the 40th anniversary of the Brown v. Board of Education decision ending racial segregation in America's public schools.

In speaking of these events to people a generation younger, General Powell, 57, and Mr. Clinton, 47, voiced an anxiety about the mindset of members of their audience that is, I think, widely shared.

General Powell, speaking on a campus where advocates of black nationalism tinged with anti-Semitism have drawn large crowds, said that the recent acts of reconciliation in the Middle East and South Africa "have shown how you can join hands to create a force of moral authority more powerful than any army, a force which can change the world."

"There is a message in these two historic events," he said. "As the world goes forward, we cannot start going backward. African-Americans have come too far and we have too far yet to go to take a detour into the swamp of hatred."

In stern tones, General Powell said to the Howard graduates, "You have been given citizenship in a country like none other on earth, with opportunities available to you like nowhere else on earth. What will be asked of you is hard work; nothing will be handed to you. Use your education and your success in life to help those still trapped in cycles of poverty and violence. Above all, never lose faith in America. Its faults are yours to fix, not to curse."

Mr. Clinton was possibly less eloquent and certainly less succinct than General Powell was. But his thoughts were moving in much the same direction and he echoed the same concern.

It came through most clearly in the least rhetorical of his recent talks, comments he made May 17 at the Martin Luther King Middle School in Beltsville, Maryland. After telling students how much he and they owed to the people who had fought to desegregate schools, the president said:

"You look at what the problems are today. Is there still racism in America today? Of course there is. Is there too much violence today, especially among young people? Of course. Are there still too many people who don't think they're going to get a fair shake in life and don't think they have much of a future to look forward to? Of course there are."

He talked about the initiatives he has launched to expand the economy, improve schools, make streets safer. But he said, "It all begins with personal choices... so what are you going to do? You have to decide that you will not drop out of school... You have to decide that you will not use alcohol or drugs or take up guns. You have to decide that you will not become a mother or a father before you're old enough to understand and take responsibility and do the job right instead of wrecking your life with it."

"The whole future of the country," the president said, "is riding on whether we can have young people who are well-educated, well-disciplined, hopeful about the future, and more interested in helping each other than hating each other, more interested in books than guns, more interested in five years from now than five seconds from now."

Memorial Day is a time of stock-taking, and the thoughts of the general and the president are good starting points for taking stock.

The Washington Post.

A Dark Joyride Through Nixonia

By Frank Rich

NEW YORK—If ever there was a reason to become computer literate, it is to save every byte of Sony's complete multimedia edition of "The Haldeman Diaries," the late chief of staff's daily chronicle of the Nixon administration.

By loading a \$69.95 compact disk into the CD-ROM drive of the nearest PC, you can not only wallow in Watergate but relive such golden White House moments as the Pam Agnew wedding, a gala East Room recital by Red Skelton and a dinner for Golda Meir to which the president invited "a few gentiles, like Connally."

"The Haldeman Diaries" have become notorious in the two weeks since their publication as a nearly 700-page book, especially those passages in which the president rails against "the total Jewish domination of the media" and a neurotic Henry Kissinger makes Dr. Strangelove seem tame.

But except for Billy Graham—who denied an entry in which he refers to "satanic Jews"—no one has seriously challenged Mr. Haldeman's accuracy. Stephen Ambrose—the nonpartisan Eisenhower and Nixon biographer and D-Day historian—so soundly endorses "The Haldeman Diaries" in its introduction.

The CD-ROM version of the book adds 700 photos, home mov-

ies, the White House appointments log and 1,000 more pages of diaries.

Zippping through the multimedia edition is an addictive joyride that simulates what it might be like to listen to the Watergate tapes, read "The Final Days" and play Nintendo all at the same time.

What often emerges is a period farce—sort of a "The Untouchables" with Nixon—as an unlikely cast of cameo players, from Gita Lolobrigida to André Malraux. The president, desperate to invite Frank Sinatra to the White House, chooses Perry Como instead rather than get embroiled in a dispute between the Chairman of the Board and Mrs. Bob Hope. After a state dinner for Pierre Trudeau falls flat, Mr. Nixon is "particularly down on the entertainment" by Robert Goulet.

Sam Goldwyn turns up in one film clip, as does Elvis in the appointments log. None of this is in the published diaries. Nor is a 1972 entry in which Mr. Haldeman says the president told him that "Kissinger has worked hard, and I'm to call Rebozo and have him give Henry all of his phone numbers of girls that are not over 30."

But by using a computer program's search function—you can

leap to every occurrence of the word "Jewish," for instance—the dark side of this White House chronicle out of hyperspace.

Mr. Nixon's defenders have tried to rationalize his paranoia about Jewish cabals by arguing that he was letting off political, not anti-Semitic, steam at a time when there were many Jews among his press advisers. But in the unexpurgated diaries Mr. Nixon is cited as identifying "our enemies" as "Jews, blacks, Jews" in 1970. And it is hard to find a political alibi in this 1971 passage:

"The president came back from Camp David for White House church. He called me... a little disturbed at discovering that we were having a rabbi again. He made the point that there are only 5 million Jews out of 200 million people, so one rabbi service in the first term would have been enough; we wouldn't have had a second one, and he certainly doesn't want any more this term."

By the time a hacker overdoes on the multimedia diaries, the only real mystery that remains about the White House is Mr. Haldeman himself—a fly on the wall so devoid of personality and emotion that he could be the butler who faithfully serves his disgraced lord in "The Remains of the Day."

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Germany Protests
BERLIN—The Imperial German Government has formally protested against the Anglo-Belgian treaty on the ground mainly that the frontiers of the Congo Free State having been fixed by an international convention, they cannot be modified in any way save by international agreement. A despatch from Brussels, semi-officially published here, states that the German Government has addressed a protest to the Government of the Independent Congo State against the convention recently concluded by the latter with Great Britain. In taking that step the German Government pointed out that the frontier delimitations agreed upon between Germany and the Congo State in 1884 could not be modified without its consent.

1944: Ecuador Turmoil
QUITO, Ecuador—[From our New York edition:] President Carlos Arroyo del Rio and all members of his Cabinet resigned tonight (May 29) after a revolutionary junta seized power in Guayaquil, Ecuador's main commercial city. A general strike had broken out here, apparently in support of the Guayaquil revolt. Crowds paraded in Quito's streets, hailing exiled former President Jose Maria Velasco Ibarra. Arroyo del Rio turned over his powers to Dr. Fausto Navarro Alencar, Senate vice-president, and took refuge in the American Embassy.

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Rwandan Officials Flee Refuge South of Capital

KIGALI, Rwanda — Most of Rwanda's government has fled its refuge south of the capital, Kigali, fearing a rebel advance, diplomats said Sunday.

In the capital itself, an offensive by the rebel Rwanda Patriotic Force prompted the United Nations to suspend convoys taking trapped civilians to safety across the city's front lines.

Diplomats said most government ministers and senior officials had left their headquarters, a former civil servants' college, near Gitarama town, 40 kilometers (25 miles) south of Kigali.

The ministers and officials fled

on Saturday by road and helicopter to the government-held western city of Kibuye on the shores of Lake Kivu facing eastern Zaire.

The government fled from Kigali to Gitarama to escape the violence ignited by the death of President Juvénal Habyarimana on April 6.

Rebel gains in Kigali and the south have led to an exodus of hundreds of thousands of civilians and militiamen from the capital to Gitarama and in the south to the city of Butare.

UN officials could not confirm reports of 300,000 people fleeing toward Gitarama but said between 50,000 and 100,000 were on the main road south of Kigali and many more had already arrived.

RWANDA: Killing's End?

Continued from Page 1

di are about 85 percent Hutu and 15 percent Tutsi. In Rwanda, the Hutus have held political power since they overthrew the Tutsi monarchy and achieved independence from Belgium three decades ago.

In Burundi, the minority Tutsis dominated the country after independence through their control of the armed forces, and only last year surrendered power in democratic elections to a Hutu-led government.

After the outbreak of the massacres, in which hundreds of thousands have died, the rebels launched their drive on the capital to end the bloodshed and bring to justice those responsible.

Bank Notes Stir Protest In Croatia

New York Times Service

ZAGREB, Croatia — In a move that has set off protest, the government of President Franjo Tudjman has decided to renege the Croatian currency after that used by the pro-Nazi puppet regime in Croatia in World War II.

Starting on Monday, the dinar, which was the monetary unit in the former Yugoslavia, will be replaced by the kuna, previously used as the national currency under the fascist Ustaše government of Ante Pavelić.

The new kunas will be valued at about 17 cents, and the notes will carry the portraits of Croatian heroes and martyrs, many from the Middle Ages.

The revival of the kuna has brought strong protests from Croatia's Serbs and Jews, both of whom were massacred in large numbers by the Ustaše between 1941 and 1945.

Mr. Tudjman has defended the choice of the kuna as "proof of Croatian sovereignty." But the decision is regarded as a political concession to the right wing of his Croatian Democratic Union at a time when Mr. Tudjman's decision to end the war against Muslims in Bosnia has led to restiveness among hard-liners.

The decision appears certain to revive a debate over the political leaning of a government that has sometimes appeared ambiguous over the fascist wartime regime and that is led by man who once wrote that there was no scientific evidence that 6 million Jews were killed by the Nazis.

Mr. Tudjman apologized to the Jews over that issue.

It is also certain to inflame relations with the Serbs, who have contended since the 1991 Serbian-Croatian war that their occupation of 25 percent of Croatia was a necessary defense against a repetition of the ethnic persecution of the Ustaše regime.

7 Burmese Soldiers Die In Drug-Control War

BANGKOK — Guerrillas loyal to the Khun Sa, the Golden Triangle drug warlord, said Sunday that they had killed seven Burmese soldiers and wounded many more in an ambush, the latest clash in a monthlong struggle over control of drugs in eastern Burma.

More than 20,000 troops from both sides have been engaged in the opium war at 13 different locations in the Shan State, northeast of Rangoon, since mid-April, when Burmese soldiers launched an opium eradication operation against Khun Sa.

POLICY: Broken Campaign Promises and Fierce Interagency Battles

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on emigration by close family members of dissidents, and comply with a 1992 agreement banning the export of prison-labor products to the United States.

China was also supposed to make "overall, significant progress" on several other issues, ranging from easing the crackdown on Tibet to accounting for political prisoners.

Chinese dissidents, liberal Democrats, conservative Republicans, Asia Watch, members of the U.S.-China Business Council and even a representative of the dalai lama in Tibet gathered at the White House for the signing of the order, which was widely hailed as a masterful solution.

But it was a false consensus, because each side saw in the executive order what it wanted to see. The liberal Democrats thought the directive had finally put some muscle into the trade threat, and the business sector thought that it was ambiguous enough finally to enervate the trade threat.

The Chinese were not impressed, and over the next few months the relationship with the United States deteriorated.

The Chinese loaded chemicals for making weapons on a freighter headed for Iran, shipped technology for M-11 missiles to Pakistan in violation of an international missile agreement and rejected pleas from the Clinton administration to cancel a long-scheduled underground nuclear test.

As it became apparent that the executive order was not having its desired effect and that the threat to revoke China's trade benefits might actually have to be carried out, the U.S. business sector mobilized.

"We consistently sent the president and his advisers letters and short papers arguing that extending trade with China was critical for helping the economy and jobs," said Jerry Jasnowski, president of the National Association of Manufacturers. "That was argument No. 1. There was a subordinate argument — that it would also advance human rights."

In mid-July, Winston Lord, assistant secretary of state for Asian affairs, argued in a classified paper that the relationship was on a "downward spiral" and urged an entirely new strategy of intensive engagement with Beijing in which incentives would substitute for threats.

But it took more than two more months before Mr. Clinton signed an "action memorandum" putting the strategy into effect with a series of high-level exchanges, including a meeting between Mr. Clinton and China's president, Jiang Zemin, in Seattle in November.

The high-profile meeting yielded little. But within weeks a consensus began to emerge in the administration that the United States had to find a formula to allow the extension of China's trade benefits.

Shortly after the New Year, Mr. Christopher ordered his legal advisers to prepare an analysis of exactly how little China had to do to meet the executive order.

Their conclusion: As long as China met the two mandatory conditions, on emigration of dissidents' families and the export of prison goods, Mr. Christopher could recommend renewal; the rest could be finessed.

One incident more than any other threatened to derail this approach, however: a meeting in late February in Beijing between Wei Jingsheng, China's most prominent democracy campaigner, and Assistant Secretary of State John Shattuck.

China furiously denounced the United States, calling Mr. Wei a "criminal on parole" and charging Mr. Shattuck with breaking Chinese laws.

Over the next few days, China rounded up dissidents in an effort to ensure an uneventful National Party Congress. Mr. Christopher decided to go ahead with his visit to Beijing anyway, arguing that if he canceled, the Chinese would make no more concessions and the president would be forced to revoke China's trade benefits.

But Mr. Christopher found himself on the defensive throughout his three-day trip, and the furor obscured the few concessions he won from Beijing.

Mr. Clinton was so distraught by the public criticism of his China policy set off by the Christopher episode that he made no effort to support his secretary of state in public and told reporters that he was "disappointed" with the trip.

Returning to Washington, Mr. Christopher immediately requested a meeting of senior national security and economic advisers in the Roosevelt Room of the White House, where he

defended his trip. The president did not attend. From the beginning of the process, senior Clinton officials had issued the same warning to Beijing: Do not think you can come in at the last minute with a few cosmetic concessions on human rights and win renewal of your love tariffs.

But as the deadline approached, and it became clear that China was not going to move very much, the strategy shifted. China was told directly that, in fact, a few face-saving concessions would do.

During former President Richard Nixon's funeral in late April, American officials met with Li Daoyu, China's ambassador to the United States, and proposed that a secret envoy be sent to Beijing.

Mr. Christopher recruited Michael H. Armacost, a former ambassador to Japan, who was sent with a proposal for the Chinese leadership: If Beijing made enough minor gestures to cover the basics of the executive order, the administration was prepared to drop the link between trade and human rights permanently.

China's leaders moved a bit. They invited a U.S. technical team to discuss the jamming of Voice of America broadcasts, and promised to release an important democracy protester and give visas to the families of certain dissidents.

Since the Chinese had already agreed to abide by an understanding with Washington on banning exports of goods made with prison labor, the concession on the visas gave the Clinton team just enough to be able to say that the two "mandatory" conditions of the executive order had been met.

Mr. Clinton's experience as president had taught him that it was not just how much America needed China for business reasons; it was how much the United States needed China for national security reasons — to deal with North Korea, the United Nations Security Council and the spread of nuclear weapons.

Mr. Clinton was also moved by Treasury Secretary Lloyd Bentsen's argument that when the United States acts on its own to impose sanctions against China because of human-rights abuses, it has the worst of all worlds: The policy is not effective, and markets are lost. Sanctions must be imposed by allies or not at all.

RETURN: Who Awaits Solzhenitsyn in His Quest?

Continued from Page 1

hall Leoniev of the newspaper *Sevostnyia*, who agreed that Mr. Solzhenitsyn's form of honest patriotism could provide the unifying idea that Russia so painfully lacks after the collapse of communist ideology.

But if it is, there is still the question of whether Mr. Solzhenitsyn is the man who could foster it. His reputation and his moral authority are beyond dispute; even Russians who have not read his works know of him as the man who exposed the infamous "Gulag Archipelago," the network of Stalinist labor camps, in all their murderous brutality and cynicism.

But the impact of those works derived in great part from the tyranny they defied. Mr. Solzhenitsyn himself wrote in his novel "The First Circle" that a writer is like a

second government in a dictatorship. But as the piles of his unsoft novels testify, the political and moral power of written or spoken truth wanes under freedom.

That has been amply clear in recent years. Many of the first generation of democrats have dropped out of politics, and former dissidents are now viewed more as gadflies than as moral authorities.

As for whether "deepest Russia" is still there, that depends on what Mr. Solzhenitsyn expects. For the most part, the Russian hinterland remains very much as he left it: muddy, backward, provincial, impoverished.

But Russia has changed, and changed dramatically. Mr. Solzhenitsyn left a state in which a tyrannical system ordered everything, and in which every life was caught

in constant compromises and small lies. But the tyranny also showed human traits — conscience, courage, weakness, cynicism — in far sharper relief, much as war exposes strength and cowardice. It was a harsh and cruel world, but also one in which whispered truths and smuggled books carried weight greater than money or status, in which people of conscience forged powerful bonds and defiance was a mark of greatness.

It was disappointing to many of Mr. Solzhenitsyn's admirers that at his press conference he had nothing to say of the fact that for all their flawed economic policies and false attempts at democracy, Mr. Gorbachev and Boris N. Yeltsin did lift the fetters; that Russia has become more free.

To Mr. Solzhenitsyn's obvious dismay, the new freedoms have brought suffering, vulgar wealth, glaring social injustice and a massive invasion of the Western mores and pop culture against which the writer so sternly inveighed in Vermont.

But Mr. Solzhenitsyn is unlikely to find that many Russians would trade their current hardships for the past tyranny. What might or should have been is simply not relevant to their difficult lives. The issue is not how Russia got here, but how it moves on.

That, declares Mr. Solzhenitsyn, makes this the exactly right moment for his return.

"The scum of triviality has cleared, and the people have ripened enough to become conscious of their fate in its essence and depth," he declared. "I think it is precisely now that I am useful."

On the first point he may be right. The disastrous flings with instant democracy and instant capitalism, the universal rush to be baptized in the Russian Orthodox Church, and to acquire Western goods, have left people still feeling empty.

The question is whether after so long an absence, this truth-seeker from a former tyranny is the man to fill it. His form of benign patriotism is certainly not the worst basis for unifying the nation. But it will require him to recognize that his "deepest Russia" is no longer there.

JAPAN: At Tea With the Emperor

Continued from Page 1

considerably more at ease than he had at a similar occasion four years ago.

Akihito was asked, of course, about the decision by Japan's political leadership to cancel a scheduled imperial visit to Pearl Harbor. That stop was removed from the royal schedule for fear of a political backlash from right-wing elements here, who insist Japan owes no apology to the United States for World War II.

In reply, Akihito noted that under the constitution he is strictly a symbolic monarch. The elected government decides his travel schedule, he added, and he is of course told what the government tells him.

For the empress, the past year has one of the most trying since her marriage 36 years ago.

Last year, in an unprecedented display of "disrespect," several national magazines criticized the empress. The complaints were minor, even trivial — but they were considered shocking in a nation that reveres its royalty.

Then last fall the empress collapsed and lost the ability to speak. Court officials blamed this mysterious malady on "deep sadness" because of the bad press.

It has been only a few weeks since Michiko fully regained her speech. Standing across the room in a pale green kimono with wavy orange and white wildflowers painted along the lavish obi, or belt, she did just fine, talking softly in clear English with just a few worried glances over her shoulder at the official interpreter.

It would be bad form — not to mention a violation of the ground rules — to quote what their majesties had to say. Let it suffice that they are aware of current economic friction between the world's two richest nations and hope their trip in June will help ease tension in the U.S.-Japan relationship.

Both emperor and empress spoke fondly of previous trips to the United States. Akihito said he still had vivid memories of a visit to Washington decades ago, when he first saw the beautiful array of national monuments lined up along the Mall.

He also recalls an auto trip through the vastness of northern Wyoming, when the royal motorcade passed only two other cars in the course of a four-hour drive. In the entire Japanese archipelago, there is nothing approaching such wide open spaces.

BOOKS

WHAT THEY'RE READING

Professor Thomas R. Shabara, on sabbatical from Concordia University in New York to teach journalism at the University of St. Petersburg, is reading "Goodnight, Mister Lenin" by Tiziano Terzani.

"I, too, traveled across the former U.S.S.R., but I taught — often journalism — for my room and board, and my experiences are like those of Terzani."

from impassioned cultural commentary to shrewd political analysis to quotidian autobiography.

She's a New Yorker again now, with hopes for the city's future thanks to the vitality of its immigrants. As a single parent, she works at home: "I look like Grace Metalious in the author's picture on the back of 'Peyton Place.'"

Before very long the firecrackers of her conservative political outlook have begun to explode.

"I think of New York's street criminals as, simply, fascists," she writes. The threat of pollution to the environment has been overrated, she believes. "We are the inheritors of a coarsened country," she says, and adds that Hollywood is partly to blame, having lost the strictures of the Legion of Decency that once forced the film industry to be artful.

Yet whatever you think of her opinions, you read on in thrall to the fascination of her anecdotes. In Part II, titled "Liberty," she attends a dinner at the White House and sits next to a weepy President Bush, who asks her to join his speech-writing team.

In the hourlong delay to respond to his bidding for a car to take her to the airport, she detects a fatal slackness in his staff that will be confirmed when he tries to help rescue him from defeat.

Yet the alternatives do not inspire her. President Clinton may be the third "great natural politician" she has seen in her life, after John F. Kennedy and Ronald Reagan, but she considers the Clinton administration already doomed to a single term.

If the Republicans pick a young Republican as their nominee for president in '96 — she means philosophically young — "they will not only win, but win with meaning."

Following her train of thought is like watching a spark move along an endless serpentine fuse that leads

In this book, Noonan eventually commits herself to a deeper form of conservatism than a political administration's.

In her final section, "The Pursuit of Happiness," she traces how a certain meanness of spirit despite her success led her to take up Bible study and return to the Roman Catholic faith of her upbringing.

The prose gets heavier here, but her wit doesn't entirely desert her. She reasons that if man is fallen, as the Old and New Testaments hold, then we are better off empowering free-market forces than welfare-state administrators.

At the same time, she concludes that what she considers the American culture's "war against religion" is "not so bad." "Christianity, after all, is at its purest, its most vital, when it knows it is what it has always been: countercultural."

Christopher Lehmann-Haupt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

THINKING about deals on which something went wrong is an essential element in moving to an expert level.

The diagrammed deal was played recently in a major tournament in Japan. Sitting West was one of that country's top-ranked players, Akio Kurokawa, whose nickname, inevitably, is Ace-king. His partner was Peter Newman, a young Australian who imitated his country's most famous animal by leaping to three spades over the opening bid of one diamond.

South's bid of four hearts ended the proceedings, and West led a spade. The declarer put up the ace, feeling confident, but was less happy when he led a trump and East discarded the club nine. He took his ace and led a heart, forcing West to take his queen.

Kurokawa knew that South had begun with eight cards in the major suits, and therefore five in the minors. He knew that South had a heart entry to the dummy and presumably a club entry, which meant that he would be able to ruff out East's spade king and dispose of two diamond losers.

Obviously East held the club ace. The best hope seemed to be that East held the spade queen, in

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Hollywood Hegemony' at Issue as Germans Again Debate Identity

By Frank Schirrmacher

Special to the Herald Tribune

The writer is a senior editor at the Frankfurt Allgemeine Zeitung.

West Germany was founded, literally, in the shadow of a certain American culture. It was called "re-education," the U.S. occupation troops wanted to inculcate new, enlightened values in German society. For defeated Germans in the American zone, the experience was simultaneously alluring and unnerving.

The experience had a durable impact on the cultural substance of West Germany that continued right up to the end of its existence as a separate nation. That special situation lasted for nearly a half-century and produced a cultural generation that is only now leaving the stage vacant for a real intellectual succession — a phenomenon that is European, but perhaps most pronounced in Germany.

In the immediate postwar, a new generation of German writers set about catching up eagerly and enthusiastically to American and British novelists. They were reading under the impact of the American writer William Faulkner and Ernest Hemingway, whose books for Germans seemed to embody a new approach that seemed unencumbered by history even in writing about the past.

Encumbered with such an unbearable past, German writers found the American existentialist back a critical posture that often amounted to a rejection of American civilization.

German opinion was struck by the career of Stefan Heym, a writer with a national following who fled Nazi Germany because of his Jewish origins. He returned to postwar Germany as a U.S. Army officer and then settled in East Berlin, where he became a prominent cultural voice in the anti-Western campaigns waged by the East German government.

Theodore Adorno, the founder of the Frankfurt school of philosophy, remained in West Germany, where he was a strong early influence on Herbert Marcuse, later celebrated on campuses across Europe and in the United States. Mr. Marcuse was a popularizer of Mr. Adorno's disparaging attitude toward consumer culture and toward what he called the American cultural industry, a mass-market phenomenon epitomized by Hollywood movies. It was a trend that Mr. Adorno, and his disciples in Europe, despised and feared because of their

Fifty Years After D-Day

These are the 10th and 11th articles in a series on the future of the American-European relationship.

foreboding sense that Europe was heading for the same destiny.

Has that premonition materialized? Has the triumphant procession of American culture leveled Europe's society intellectually and culturally? Nowhere in Europe is this issue debated more earnestly than in Germany, perhaps because it was not a publicly acceptable question for many people in a nation marked by Nazism and communism.

Since the reunification of Germany at the end of the Cold War, German intellectuals have started debating the validity of the country's political orientation in a single direction and asking whether there is a valid cultural entity called the West. It is perhaps a legacy of the Cold War that cultural values and political alliances are so intertwined for many people.

In the current debate, arguments are resurfacing from the 1950s, when Germany had not found a clear basis for itself. Ultimately, West Germany — moving in the same direction as its neighbors but going much farther — chose to think of itself as part of a West European

community. But that choice had to be defined against calls for a national consciousness, and that rallying cry is echoing again as conservatives declare that Germans have abandoned their identity to America.

Both Strauss, an author and an influential voice in the debate, has modernized the traditional German fascination with Faust in terms of selling one's soul to Hollywood. Even a moderate like Jürgen Habermas clearly feels new tension about the alleged dangers of a "Hollywood hegemony" made in the United States.

A powerful current in traditional German culture, which went along with the concept of "sonnenwende," or "special way," that exposed Germans to so many excesses in the first half of this century, has survived the postwar decades as if it had been in hibernation. Now it is coming back as a touchstone for criticism of international culture at the end of the century.

Since the left has been discredited so badly in Europe, the most energetic developments are occurring among what can be called in Western countries a new right. It is also symptomatic of the times that this new right: seeks to root itself in a tangle of intellectual traditions, often logically irreconcilable but capable of fueling confused aspirations.

In Germany, for example, much current ferment seems to hark back to the calls for a new Renaissance along the lines propagated in the 1920s by the romantic writer Stefan George and another even more exceptional figure the writer Rudolf Borchardt. Scarcely known outside Germany and rarely discussed in this country for decades, Mr. Borchardt is enjoying a vogue as the champion of a German spirit that would give the world a "conservative revolution."

An important figure in his time, a friend of Thomas Mann and Rainer Maria Rilke, Jewish but tolerated by the government, he was murdered by Nazis in 1945. Almost a taboo in ensuring decades, Mr. Borchardt, whose books are being republished with introductions by leading intellectuals, is at the heart of the central debate about reunited Germany's political and intellectual destiny and the future of its Western ties. In more muted terms, a similar

discussion is under way throughout Western Europe now, and perhaps may occur later in Eastern Europe, which today is still dazed by freedom.

This is a new "Anti-Americanism," the title of a widely read, controversial book. Dan Diner, the author and a 1968 militant who now teaches history in Essen and Tel Aviv, has not become a neoconservative out of repentance for his youthful leftist.

Rather, he lambasts what he sees as a tendency on both the right and the left in Germany, and more generally in Europe, to want to distance themselves from the United States. This new, subtler form of anti-Americanism has in common with the postwar Cold War variety that political ties and cultural substance are intertwined. Whereas Cold War politics dictated war on American-inspired culture, today the temptation is to get rid of America culturally first, then politically.

This strain runs deep and is not confined to nostalgic romantic or nationalistic extremists. A perceptive essay in a recent survey of Germany by the American scholarly quarterly, Daedalus, brings out a deep discomfort and profound mistrust of Anglo-Saxon culture — as too liberal and too permissive — even among the most open-minded modernizers on the new left, even when rhetorically they cling to Western ties as a rampart against sliding back into the old nightmares.

Symbolically, this German debate has come to a climax around the movie "Schindler's List." In essence, the cornerstone of European intellectuals' ability to feel condescending toward American popular culture was a conviction — perverse-sounding when put so baldly — that the Holocaust made Europe infinitely superior.

That history, the defining experience of our humanity, could never be adequately dealt with, certainly not by Hollywood, European intellectuals told themselves. Perhaps that history weighed so heavily on European intellectual consciousness that it pressed the energy out of contemporary culture, but at least Europe had the dignity of having a reason for lacking self-confidence.

That was the answer to the question: Why hasn't this movie been made in Germany? Or why hasn't this movie been made in France or Britain or anywhere else in Europe about colonial wars, or treason, or all the other real reasons for collective denial? "We can't understand Auschwitz, but Hollywood definitely can't and can't even deal with a world in which Auschwitz is imaginable," ran the rationalization.

In all the pedantic and apologetic answers to this question about the failure of European culture to be central to our concerns, it is all the more striking to see that it is "Hollywood" — the image of what Europeans felt made them superior — that has taken over the intellectuals' main theme: coming to terms with the past. This has shaken our cultural certainties, perhaps no less than the other shocks to the pride and credibility of the intellectuals who play so much larger a role in Europe than their American counterparts occupy in the United States.

Plainly, Germany stands at a cultural and intellectual watershed. The confusion is deepened by the voices of former East Germans, who have not lost the lifelong reflex of rejecting the West. The real problem, however, is not one of ideology but of talent. Where are the writers, film makers, painters, composers capable of legitimizing, as they did in the 1920s after the previous exterminatory war, a national culture?

In the culture inherited from West Germany, as generally throughout Western Europe, the long peace was dominated by personalities that appeared in the postwar period and then by a younger generation that emerged in the early 1960s and now seems spent. Acknowledging this vacuum, one of the rare younger talents, the essayist Hans Magnus Enzensberger, ventured the notion recently that the era of the European intellectual may perhaps have come to an end.

Of course, this pessimism is vintage European intellectual, quintessential cultural pessimism, a German specialty. It is probably the oldest continuing strand of European thought, now joined with the added kick of another millennium being nearly upon us. Even so, the vehemence of this new, incoherent critique of

American culture is puzzling, especially in Germany.

Unlike French intellectuals, who sought a "dialogue" and "understanding" with the Communist intelligentsia and were ultimately discredited by it, West German intellectuals on the whole have no history of combat with the United States. So complaints about alleged cultural hegemony seem oddly pale and misguided. Perhaps the only point that is clear is that there is a strange, disquieting convergence between the old left and the new right in this anti-Americanism.

Oddly enough, this points to a reason for optimism because it suggests that the cultural and intellectual experience since 1945, at least in the two Germanys, will come to be seen as a generational experience. On both sides of the Wall, a single generation — intellectuals as much as politicians and managers — lived through World War II and then stamped the 1950s and 1960s. It was a generation of people whose decisive adolescent encounters were with American GIs or Red Army troops.

It is no coincidence, to use a Marxist phrase, that we find so useful, that in the major novels of the Third Reich, the heroes always appear as children, whether in Günter Grass's "The Tin Drum" or Christa Wolf's "Kindheitsmuster."

This generation, flagged in recent years, in Germany, certainly, the public became a one-way street in which more and more material came into our culture and less and less seemed to head the other way. Even old European cultural ties seemed to atrophy: Germans started getting the latest French trends from Americans who discovered them first.

Deconstructivism, for example, was transmitted from Paris to Yale and other American academic centers and then from there came back to West Germany and even East Germany. Little of the fruitful promiscuity seemed to survive in the Paris-Bonn axis at the center of European politics and prosperity. Instead, of American hegemony, this will be described by historians as a period when Europe ran out of intellectuals and artists. It is time for a new generation.

The Elite and 'Intellectual Hubris'

Youngish American Idealists Still Cherish the Enlarged State

By Richard Grenier

Special to the Herald Tribune

The writer is a columnist for the Washington Times. His most recent book is "Capturing the Culture: Film, Art and Politics."

American movies impose certain taboos. The word "socialism," for example, is never used. Europeans might consider that policies of a democratic-socialist tendency date from Franklin D. Roosevelt's first administration, but the philosopher John Dewey's terminology for it was "liberalism."

And American taboos, naturally, also extend to public policies. Unlike Europe, America has never had a large-scale movement to nationalize or collectivize any sizeable sector of the economy. For many decades, the watchword of the American left has been, "Don't nationalize, regulate!" It is code for what is, after all, socialism's strongest suit by far — its "vision."

After all, youngish American idealists like President Bill Clinton have never seen applied in their own country anything resembling conventional socialism, so they are consequently still entranced by the socialist vision.

Moreover, the Clinton administration contains more Rhodes scholars and people from Harvard and Yale than any administration in U.S. history and, since these people are plentifully endowed with what Frederick Hayek called "intellectual hubris," they are under-terred, and along with America's entire elite culture still embrace an enlarged notion of the state, naturally under their control.

And though the fact has not quite been grasped by the American public, Hollywood is now filled with people from America's elite universities, and the less-educated people in the entertainment industry certainly take their values and notions of how to improve society from the same source.

The question of why this should be so prompts the point that the West, a society that opens itself to criticism as no other has done, has constantly been fierce attacks upon itself for nearly the entire modern period.

My conclusion, not just of today but initially offered in essays I wrote in the 1980s, stems from an insight of the sociologist Max Weber, who wrote that artists and intellectuals have great difficulty giving their allegiance to states or political systems "from which the absolute and sublime values have been withdrawn."

We arrive swiftly at the heart of the matter: the dismay of most modern artists, among them film directors and even actors, at the loss of absolute and sublime values. In the long range of history, this is new.

Until the French Enlightenment, the Romantic movement and the American and French revolutions, the artist saw himself as a celebrator of his society and all its values, which to him — if not to aesthetes of today — were noble and heroic. It was only with the modern

state's progressive renunciation of claims to represent the absolute and sublime and the appearance of the liberal, bourgeois state of limited power — which gave people more freedom than they had ever had in history and often more than they knew what to do with — that the artist was cut loose.

In effect, the artistic temperament identified with aristocratic values, which, of course, no longer existed as a sociological reality. In the wake of Hitler, it is almost entirely forgotten, and often avoided in politically correct debate, that traditionally the alienated artist's preferred refuge has been the right, including all its mad excesses.

At the time of the Dreyfus case, most of France's fashionable writers and artists, despite Emile Zola, were ardently anti-Dreyfus and, yes, anti-Semitic. These attitudes were all of a piece with what they rejected as the vulgar, mercantile world. Today, of course, with racism discredited, artistic spirits who yesterday would have been anti-Semites have risen to being socialists. Yesterday, the community that symbolized for many the greed and materialism of the modern age was "World Jewry." Today, that position is held by the United States.

This reasoning about the artist's need for utopianism, no matter how twisted, was an insight that coalesced among American conservative intellectuals in the 1980s. At the time, I wrote that "it is there for all to see, go where you will, abroad or at home. You may try it for size on any exalted, artistic radical you meet, filled with loathing for our soulless, materialist, capitalist world. Yesterday's anti-Semite is today's anti-American."

This ideology — with a lineage running through socialism, to central planning, to "equality" as a utopian ideal — prevails in the film industry, which has in the last quarter century become an appendage of America's great universities.

Unlike the tenured revolutionaries of U.S. universities, however, Hollywood's devotion to the idealisms of the day is tempered by its need to make great amounts of money. The pressures of the marketplace are a brake, but only a partly effective one. A wage once said that Capitalism's form of government was "autocracy tempered by assassination," and I have said and still say — that the American entertainment industry now has a politics of its own: utopianism tempered by greed.

The point was evident in the early 1980s, long after the last tatters of respectability had been removed from the Soviet cause. Hollywood, however, was still bent on honoring movies and film makers who proclaimed their anti-American views as a claim to intellectual virtue.

Remember the confusion caused by the stirring popular impact of Clint Eastwood? Long before he was considered fit for public consumption at European film festivals, it was

obvious in America that his films hit profound themes.

Reflecting on "Dirty Harry" and the other movies of the series in 1984, it seemed clear to me that the theme which hangs over all the "Dirty Harry" movies, and perhaps to a lesser extent all of Clint Eastwood's career, is vigilante justice. It is a theme deep in American culture, literature, films, and popular fiction: a man alone in a corrupt world, the lawless West, or the jungle of cities.

The sinister twist in the "Dirty Harry" series is that what has corrupted justice in our time, and made it so hard to obtain, is a kind of liberalism gone mad. Thus: Dirty Harry. Dealing with murderers, real or potential, in defense of innocent people, and acting entirely within the rules, "Harry Callahan" does not hesitate to kill. As for the heartlessness, even gratuitous, that the Clint Eastwood character demonstrates in destroying the social vermin who, he obviously feels, are themselves destroying the fabric of our society, Mr. Callahan, one feels, is the right man for the job.

Mr. Eastwood, who almost never grants interviews, denies that his films are the least bit political. (In private life, Mr. Eastwood financed an armed mission by a decorated U.S. veteran of the Vietnam War to try to recover missing Americans believed held in Laos in the early 1980s.)

For a long time, that stance allowed Hollywood (and New York, where the critical community is centered) to view him as fodder for a bare-knuckle subculture. But by the early 1980s, he was already overtaking John Wayne as the most durably popular male movie star in history. By now, even Hollywood has noticed — to the point of mythologizing the man without noticing the cultural thrust of his movie-making.

For Hollywood's utopians, the situation was muddled by the disappearance of the Soviet Union. But for the left, in America as in Europe, the Soviet model was long ago supplanted in intellectual affections by, roughly in turn: Cuba, China, North Vietnam, then back to Latin America and the Caribbean for whatever Marxist-Leninist regime or revolutionary movement that was in the spotlight.

Meanwhile, film makers in these countries have been in the West as well have been slow to tackle the political essence of the great causes that they have championed until all credibility was lost.

Western enthusiasm for the emerging film industry in China, for example, never demanded the quality of movie that finally emerged last year with "The Story of Qiu-Ju," the most sophisticated of director Zhang Yimou's films. Even now, China's censors obtained concessions in his presentation. But this remarkable film maintains its universal theme: In all societies, particularly in those emerging from severe political repression, individuals crave respect.



THE WAY THINGS WERE — George Itzel, who landed in Normandy as a young American soldier in June 1944, chatting about his experiences during the invasion 50 years ago with two latter-day American troops at the U.S. military cemetery at St. Laurent.

And in political systems pretending to omniscience and ordering their every action, respect has been denied them.

Such great movie-making about our times has not deterred America's intellectual elite from seeking, in a radical, revolutionary fashion, new causes to be emotionally embraced.

The latest is "multiculturalism" which in practice has become the American code word for the equality of all cultures. On this issue, contemporary enthusiasm has caused problems even for Saul Bellow, a Nobel Prize winner for literature.

"Give us a week's moratorium. Dear Lord," wrote Mr. Bellow recently, "from the idiocies that burn on every side and let the pure snow cool these overheated minds and dilute the toxins which have infected our judgments. Grant us a breather, merciful God."

The problem for Mr. Bellow was that he had been quoted as saying that the Papuans had no Proust and the Zulus no Tolstoy. He was promptly castigated by the upholders of American social virtue. The notion of equality so pervasive in fashionable American educated circles today, which goes hand in glove with an expanded role for government, prescribes that no culture or individual be thought superior to any other.

In outraged condemnation of what he con-

siders the drift in America's elite culture, he declared: "In any reasonably open society, the absurdity of a petty thought-police campaign provoked by the insane magnification of 'discriminatory' remarks about the Papuans and the Zulus would be laughed at."

None of this has discouraged Hollywood from trying to do good and do well on fashionable issues of the day: feminism, environmentalism, anti-racism, animal rights, homosexual rights, bisexual rights, the rights of AIDS victims, of the handicapped.

The absurdities of this lengthening list of politically correct issues have never deterred Hollywood from seeking to do good. Now many of the new idealistic movies would not at first glance seem to have much to do with socialism. We've had films in defense of the rights of victimized women ("Thelma and Louise"), the handicapped ("My Left Foot"), lesbians ("Fried Green Tomatoes") and AIDS sufferers ("Philadelphia"). And these are only the ones good enough to be heard of; I'm sparing you the much, much longer list of those that bombed despite their worthiness.

As an example of the value of such films, take the plea on behalf of environmentally responsible Indians, "Dancing with Wolves," a picture much revered in both the United States and in Europe, especially cinematically enthusiastic France. The actor-director Kevin Costner, nat-

urally, is at great pains to demonstrate that his Indians were not inferior to the invading white man, but in fact were much superior in harmony with nature.

In reality, of course, the Sioux massacred, raped and carried women and children off into captivity. They tortured for entertainment. By converting these Sioux into gentle, vaguely pacifist bucolics, Mr. Costner, in a state of holy empty-headedness, has falsified history in a register that matters terribly in the American psyche.

But after all, these people — most of Hollywood's bankable names, stars and glamor directors — are the world's film artists, and like other artists they want to believe in something good, something higher than this miserable, self-centered, selfish world they see around them — above all in Hollywood.

They hardly know better. They just became artists the day before yesterday. Before that they had little more intellectual status than circus acrobats.

In addition to which, they are American: they bring to these matters a wonderfully innocent eye. Does your average American believe all these "politically correct" ideas being handed down to him by his country's elite? Well, no, he doesn't. But there are signs that they're wearing him down.

'Frankly,' Berlusconi Says, Politics Isn't Pleasurable

By William Drozdiak

Washington Post Service

ROME — Silvio Berlusconi dimmed the lights and drew the blinds in his elegant office at the Palazzo Chigi. Even at sunset, his day seemed far from over. There were cables to read, legislative plans to approve and other tasks of governing that he says keep him working until as late as 2 A.M.

Three weeks after becoming Italy's prime minister — and only three months after he entered politics — one of Europe's biggest media tycoons is struggling to adapt to his new role of running the world's fifth-largest industrial democracy.

"Churchill said politics is fine, except you have to shake too many hands and deal with too many stupidities," Mr. Berlusconi said last week in an interview. "I'm used to shaking hands, because of my involvement with soccer and show business, but not to listening to the enormous number of stupidities that I hear in politics."

"I have 11 houses spread all over, including an extraordinary park," he said. "Now I am forced to lead a life that, frankly, does not please me. However, I consider myself to be fighting a war on behalf of my country."

When President Bill Clinton opens his European tour on Thursday by paying a call on Italy's reluctant crusader, he will find that Mr. Berlusconi's astounding political rise is still generating shock waves across the Continent.

The 57-year-old businessman was swept

into power on a tide of voter disgust with the corruption-ridden caste that had ruled Italy for four decades, stirring fears of further populist revolts against mainstream governments in Europe.

He has appointed five cabinet ministers from a party with neofascist roots, arousing fears in France and Germany that their entry

into government will legitimize the growth of extreme right movements across the Continent.

He has also mapped out a vision for a free-market revolution in one of Western Europe's most socialist states that surpasses in scope anything attempted by his conservative role models, former Prime Minister Margaret Thatcher of Britain and former President Ronald Reagan.

And he has declared that, at least for the time being, he will govern the country while maintaining a vast business empire with holdings in real estate, insurance, press and television, raising the specter of conflicting personal interests with almost every legislative measure he tries to push through Parliament.

"I consider myself to be fighting a war on behalf of my country,"

Silvio Berlusconi

Mr. Berlusconi's opponents accused him of using his three television networks, which control about 45 percent of the national audience, to brainwash voters and secure his victory in the general elections.

He, in turn, believes they are jealous of his success in finding a formula that rallied the vast majority of young voters behind the free enterprise banner waved by his Forza Italia party.

"I know the young generation well," he said. "They grew up seeing America through the television shows that I brought to Europe. They have come to believe in the meritocratic philosophy that will help us develop a more liberal and free-market society without losing our cultural roots or traditions."

"Young people everywhere now share the same political values. The French may be very jealous about their identity, but Italians have no complexes, no feelings of inferiority or superiority. We are more ecumenical."

Nonetheless, the sight of seeing a media tycoon achieve a sudden leap to the pinnacle of political power has alarmed some of Italy's neighbors.

"This is an approach to democracy we are not used to and that appears farcical to me," said President François Mitterrand of France, pointing to the demagogic risks of seeing the boss of a \$6 billion media conglomerate at the head of a major European government. "This is an example that others will try to imitate. There is a serious risk of perverting

democracy. The moment has come to say: Stop! Danger!"

Mr. Berlusconi brushes off Mr. Mitterrand's warning as the kind of partisan carping he must endure from Italy's former Communists and their leftist allies in Europe.

"I have no operational role anymore in any of my companies," he said. "I am completely removed from their activities."

Mr. Berlusconi said he was forced to enter the political arena when centrist reformers such as Mario Segni, a maverick Christian Democrat, failed to organize an effective coalition that could block the path to power by the leftist alliance led by the former Communists.

"I had a very interesting and entertaining life, and I had no desire to change it," he said. "But I found my country facing a future without liberty or democracy. I was obliged to go into politics against the advice of my family, my friends and, above all, against my own interests. But I realized my life as an entrepreneur would have become impossible under the Communists, whose program would have led my country into a terrible state without any hope of return."

Indeed, Mr. Berlusconi's empire, now close to \$3 billion in debt, probably would have collapsed if the leftist state had been elected. Achille Occhetto, the leader of the Democratic Party of the Left, the former Communists, had vowed to strip Mr. Berlusconi of his lucrative television stations.

Neofascist Wants Homosexuals Put in Concentration Camps

Reuters

ROME — An Italian neofascist candidate for the European Parliament provoked anger here on Sunday by saying that homosexuals should be sent to concentration camps.

Piero Buscaroli, who is a candidate of the neofascist-led National Alliance, which has five ministers in Prime Minister Silvio Berlusconi's conservative cabinet, angered Italy's homosexuals after his comments were reported by the newspaper Corriere Della Sera.

In an interview, he confirmed his views, saying that homosexuals had no place in society. "They lead terrible lives," Mr. Buscaroli, 63, said by telephone. "If it were up to me, I'd send them all to live in concentration camps."

Mr. Buscaroli, a journalist who contributes to Il Giornale, a Berlusconi family-owned newspaper, is a member of the neofascist Italian Social Movement, the political heirs of Mussolini and the core party in the National Alliance.

Though his comments were disowned by his party, gay rights groups said they feared that Mr. Buscaroli's statements signaled a new era of intolerance.

"This is the sort of sympathy that the parties in the new government have for minorities," said Francesco Grillini, the president of Arcigay-Arcilebica, the country's biggest homosexual rights group.

"We are afraid that the new government is re-evaluating the values and methods of the past — the Nazi-Fascist past," he said.

The National Alliance and Francesco Sgarbi, a spokesman for the Italian Social Movement, disowned Mr. Buscaroli's comments.

Mr. Buscaroli made it clear that he would not support a resolution passed earlier this year by the European Parliament to allow homosexual couples to marry and adopt or foster children.

"Homosexuals disgust me," he said. "I can't even bring myself to shake hands with them. I am a reactionary, and I am more Catholic than the Pope."

Italy Seeks Settlement Of Slovenia Dispute

ROME — Italy wants to see Slovenia start moving toward membership in the European Union, but only after problems between the two countries about wartime compensation are ironed out, the Foreign Ministry said Sunday.

On Friday, the Italian government blocked the inclusion of Slovenia in a group of Central and East European states designated as potential members of the Union.

Rome is demanding compensation for Italians expelled after World War II from Slovenia, which was then part of Yugoslavia and had been partially occupied by fascist Italy.

China

A Great Economic Leap Forward, but the Hard Part Is Yet to Come

By Kevin Murphy

BEIJING — Demanding to be taken more seriously by the world community in nearly every aspect of international trade and relations, China's newfound confidence stems from its startling economic reforms.

But as any Chinese government reformer, industrialist or simple worker will attest, the hardest part is yet to come.

Fifteen years after Beijing first allowed then-radical reforms in the countryside that granted farmers limited responsibility over their own production, China has embarked on a top-to-bottom restructuring of the way wealth is distributed and economic decisions are made.

In 1979, 95 percent of prices were determined by the state, now less than 6 percent are. Over roughly the same period, the economy has grown at an annual rate of 9 percent,

hitting 13 percent in 1993, well off the planners' charts.

But as individuals and industry alike are forced to fend for themselves in a world where they will no longer be "eating from the same big pot" — the Chinese phrase for now-outdated egalitarian ideas — subtly but rapidly, power is shifting to market-responsive institutions and away from powerful individual Communist Party cadres.

China's reform game plan, building what it calls a socialist market economy, rests heavily on the expansion of the market economy and private investment, but reserves for government planners a preeminent role in orchestrating overall development and firm, one-party political rule.

"The reform here in China is unprecedented and it has proven very successful," said Ma Guofeng, a senior economist and deputy director at the powerful State Commission for Restructuring Economic Systems in Beijing. "We drew upon the experiences of other coun-

tries, but only by integrating some ideas into our own conditions."

"We have stuck resolutely with leadership by the Communist Party," Miss Ma, a veteran reformer, said proudly in a recent interview. "In a multiparty system, self-interests would compete with each other and no one would care about economic development."

However, many different interest groups are emerging as market forces exert their influence, foreign trade and investment flows expand, and party members and the People's Liberation Army seek to "liberate their productive forces" or go into business themselves.

Because powerful new interest groups are forming and its economic transition is incomplete, China faces its greatest challenge yet in its bid to develop. This was underscored in 1993 when an overheating economy appeared untameable, and various groups resisted a tightening of credit and moves to reduce speculative investment.

China, according to economists at home and abroad, now stands halfway between two economic models — command and market — and two systems of overall control. In the middle lies possible chaos: runaway inflation, strikes, damaging speculation, corruption.

"In the first two stages of our economic reforms most people got more wealth," said Lu Yonghua, a senior official at the State Commission for Restructuring Economic Systems in Beijing. "The next stage will be more difficult, because some people may think the changes are taking something away from them."

A new taxation system, a new banking system that improves monetary control, reforms that release enterprises from paying for cradle-to-grave benefits for their workers, rules aimed at removing bureaucrats from the business world — all will disturb vested interests across China, forcing them to deal

with market forces and, in many cases, costing them money.

"The argument in China now is not 'do we open the door further?' said Nick Moskos, a China analyst with S.G. Warburg Securities in Hong Kong. "It is 'How do we keep a political lid on things?'"

COUNTERING reports of real-estate by provincial officials who resent meddling in their own plans, increasing worker militancy and peasant revolts against party bosses who have exceeded their powers for personal gain, Beijing's planners champion the paramount need for social stability as the key to their steady and largely uninterrupted successes.

"Our reforms forge ahead with ups and downs," said Mr. Lu, debunking the idea that East European-style "shock therapy" could work in China. "The success of our work can be attributed to our theoretical planning and preparation of people's thinking. Slow but

steady changes reduce the shock to society."

While some bureaucrats privately express hopes that China's reforms can be quickened, collectively Beijing's leadership congratulates itself for avoiding the kind of difficulties plaguing Russia and East European countries to a lesser extent.

Setting its troops against student demonstrators in Tiananmen Square on June 4, 1989, an act that saw Beijing condemned, then ostracized by the world community, was an acceptable price to pay for keeping the reform program on track, said President Jiang Zemin in a controversial statement this month.

"The Chinese have been reforming since 1978 in an ongoing process whose hallmark has been a careful gradualism," said Andrew Freris, chief regional economist with Salomon Brothers (Hong Kong) Ltd.

"They are quite successful in what they are

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'Stock Fever' Brings Flood Of Domestic, Foreign Issues

But Investors Are Wary Due To Growing Pains In Fledgling Markets

SHANGHAI — "If we just let companies queue up to be listed, there would be 10,000 outside our door tomorrow," said Li Qian, director of public relations for the Shanghai Securities Exchange. The exchange is jammed, along with a karaoke club and other offices, into the old Pu Jiang Hotel opposite the Russian consulate just off the famous Bund.

Miss Li is probably right. China's stock market experiment has proven a success with local industry. Eying expansion possibilities but facing a dearth of credit, more than 200 Chinese companies have joined the rush to cash in on "stock fever" with a flurry of listings on stock exchanges at home and abroad.

An integral part of Beijing's economic reform program, the move to reopen the Shanghai exchange 42 years after the 1949 Communist victory saw it shut, has been hailed as a measure of China's embrace of market economy forces.

"They may have a long way to go, but China's securities markets are moving faster toward openness than many others in the region," said Chris Legallet, a director of Jupiter Tyndall (Asia) Ltd., a fund management group.

"Trading liquidity has improved and the authorities are eager to improve," said Mr. Legallet, who manages the London-listed China Investment Trust PLC. "The regulators are not just sticking their heads in the sand."

To those companies given permission to sell shares, especially those that have raised hard currency through international issues, it is something more practical than symbolic: a headstart on their cash-strapped local rivals.

However, investors, both domestic and international, now appear far less concerned with more new issues than with trading losses, contradictory regulatory trends, ideological dilemmas and a host of pressing problems in the fledgling markets.

Long gone are the days when millions massed outside the country's two authorized stock exchanges in Shanghai and Shenzhen for lottery tickets to buy newly listed A shares and Hong Kong brokers begged for new B shares, those designated especially for foreign investors.

"This is all a completely new subject for us," Liu Hongru, chairman of China Securities Regulatory Commission, said in a recent interview. "We lack experience, we lack qualified people and we have few relevant laws and regulations."

"You may say that the Chinese securities market is at an infant stage and there is much room for improvement," said Mr. Liu, whose high level government body supervises stock and bond market development while approving candidates for listing. "New problems open up every day."

When will A and B shares be combined? (Currently the A share at a hefty premium to the B share despite their equal entitlements for shareholders.) Has China snatched its own markets by allowing some of its best companies to list overseas?

Will company directors respond to investors' demands for greater disclosure and better management? Have merchant banks underwriting China listings overseas been too bullish on their pricing estimates?

Such questions matter little in China's long-term market development agenda despite their

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Scenes from a changing China, clockwise from top left: Skyscrapers, and other signs of affluence in the special economic zone of Shenzhen; window shoppers in Beijing; a billboard promoting a French enterprise in China.

Beijing Casts Long Shadow Over the Nations of Southeast Asia

By Michael Richardson

SINGAPORE — Although anxious to maintain good relations with China, virtually all Southeast Asian nations regard Beijing's behavior in the South China Sea as a litmus test of its future intentions toward the region.

Official Chinese maps show Beijing's claims over the sea, and the seabed oil and natural gas reserves in the area, reaching to within 48 kilometers (30 miles) of the coasts of Vietnam, Malaysia, the Philippines and Brunei.

Gerald Segal, senior fellow and Asian specialist at the International Institute for Strategic Studies in London, says the central question is the extent to which China is prepared to pursue its claim even at the cost of alienating Southeast Asian nations, Japan and the United States.

Both Tokyo and Washington are concerned to maintain freedom of navigation in the South China Sea.

Amitav Acharya, coordinator of a security project at the Center for Asia Pacific Studies run jointly by the universities of Toronto and York in Canada, said that "the potent combination of annual double-digit economic growth rates and double-digit increases in military spending since 1990, places China in a position to dictate the regional balance of power."

He said that whether China would actually choose to exercise its power in this way remained to be seen. "But its growing military muscle has made some regional countries nervous," he added.

Chinese forces seized the Prata Islands in

the northern part of the South China Sea from Vietnam in 1974. They established a foothold in the disputed Spratly Islands, a widely scattered cluster of about 90 islands, atolls and reefs in the southern sector of the sea, when they captured several Vietnamese-occupied outposts in 1988.

The Spratlys, which hold the key to control of surrounding offshore resources, are a major point of potential conflict in the South China Sea through which run important international trade routes, including those bringing Middle East oil to Japan.

CHINA, Vietnam and Taiwan claim all of the Spratlys, while Malaysia, the Philippines and Brunei claim those that lie closest to their territory. All but Brunei have stationed forces on the islands and reefs they occupy, and it is clear that armed clashes are a real risk.

Yeo Ning Hong, Singapore's defense minister, said recently that it was a good sign that the Spratly claimants had expressed their intention to resolve differences through negotiations and to consider joint development of the area.

However, he said that "the real test will come should resources, particularly oil, be found in the area."

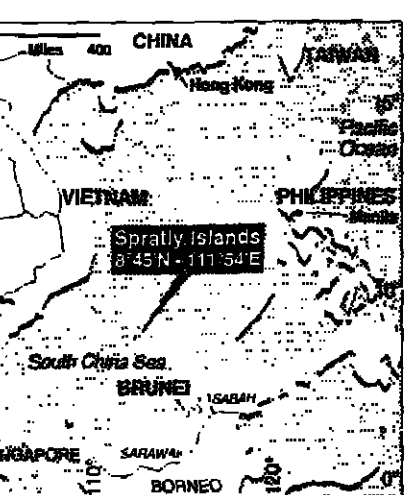
Mr. Yeo said that Beijing's assurances that China would not be a military threat to its neighbors were encouraging.

But for some time to come, he added, "countries in the region will continue to examine closely what China does to see if its actions match its words."

While Beijing proposed several years ago that rival claims to sovereignty over the Spratlys be put aside in favor of joint cooperation projects, informal talks between the six claim-

ant states on such a plan have so far made little progress.

In a development condemned openly by Vietnam and regarded as ominous by other Southeast Asian countries, Crestone Energy Corp., an independent U.S. oil company, announced in April that it had begun a search for oil and gas near the Spratlys in a huge contract area granted by China.



NYT

Randall Thompson, Crestone's president, said that the American company, working closely with a Chinese state oil company, was undertaking seismic surveys and would start exploratory drilling later this year with "full support and protection from China."

He added that seismic data indicated that there could be "tremendous hydrocarbon reserves" in Crestone's 25,155 square kilometer (5,076 square mile) contract zone.

Crestone was granted its prospecting rights in 1992, and Hanoi and Beijing have waged a war of words since then.

Crestone's concession is about 300 kilometers from the coast of southern Vietnam and is close to contract areas granted by Hanoi to two separate international consortia, one headed by BHP Pty. of Australia and the other by Mobil Corp. of the United States.

Analysts believe that the growing influence of the armed forces in China and dwindling domestic oil supplies are pushing Beijing to try to enforce its claims to control nearly all of the South China Sea.

Chinese military and civilian leaders have repeatedly denied that China has any intention of threatening its neighbors.

Nonetheless, regional officials are concerned that China is systematically developing the capability to project naval, air and amphibious power to take advantage of a receding U.S. and Russian military presence in East Asia and the western Pacific.

Reflecting the influence of the armed forces in China, the official budget for 1994, unveiled in Beijing in March, gave the military a 22 percent increase over last year. Planned expenditure rose to just over \$2 billion yuan (\$3.9 billion) from nearly \$1.5 billion yuan in 1993.

DESPITE the rise, the military budget is still lower in U.S. dollar terms this year because of China's unification of currency exchange rates in January, which effectively devalued the yuan by 33 percent against major currencies.

However, Western intelligence sources believe that the true figure for China's military spending is much higher than the published amount because the three million-strong armed forces can draw on other budget items

and their own profit-making enterprises to help pay for the modernization program.

Beijing's ultimate strategic objective is to "convert the entire South China Sea into a Chinese lake," according to B.A. Hamzah, director-general of the Malaysian Institute of Maritime Affairs in Kuala Lumpur.

He said that with Kuala Lumpur short of oil to fuel its rapid growth and industrialization, economic motives appeared to be high on Beijing's agenda in the South China Sea.

ALTHOUGH China is the world's fifth largest oil producer, surging demand and stagnant domestic output are set to make the country a net importer of crude oil this year for the first time in three decades, the East-West Center in Hawaii said in a recent study.

China's armed forces already have a major voice in policy-making by the ruling Communist Party.

Analysts said that this role is likely to become even more decisive after the demise of senior leader Deng Xiaoping when weak civilian leaders will have to be even more mindful of military interests.

Chong-Yin Lin, associate director of China studies at the American Enterprise Institute in Washington, said that the rising political profile of the Chinese armed forces would ensure continued double-digit growth for the defense budget and continued upgrading of the country's military capability.

"Made increasingly confident by its military buildup, Beijing may adopt a more assertive foreign policy even if it avoids the use of force in the region," he said.

Continued on Page 12

MICHAEL RICHARDSON is editor for Asia of the International Herald Tribune.

A Land Stretching to Support Its People

By Vaclav Smil

THE environmental challenges facing China are immense, and even a costly and concerted effort could do little but slow down the rate of pollution and ecosystem deterioration during the next 30 years.

China's quest for affluence is understandable — but the recent Western admiration of the country's growth rates is naive and misguided. Foreign observers make a fundamental error by ignoring the effects of scale: the size of China's population and the stresses it puts on the environment prevent any simple contemplation of China ever emulating Japan or duplicating fully the achievements of other countries.

China's population is growing at a rate of 1.2 percent annually, so-called Dragons of the region. The country's population is growing at a rate of 1.2 percent annually, so-called Dragons of the region. The country's population is growing at a rate of 1.2 percent annually, so-called Dragons of the region.

and water is simply not available where it is needed most.

In North China, home to 500 million people, water availability is already less than a third of the Indian average. About 50 million people in northern provinces do not even have a reliable supply of drinking water. The usual runoff in the basin of the Yellow River is less than one-sixth of the average in the rainy south, and recent droughts have reduced this flow in dramatic ways. During the 1980s, the Yellow River's flow dropped repeatedly to less than half of the normal, and several times it ceased altogether for more than a month.

Recurrent northern water shortages have led to massive overuse of groundwater and to extensive surface subsidence. Quality of surface water has been steadily declining: new large-scale water treatment facilities have helped in some large cities, but the overall volume of untreated waste water has increased, especially with the explosive growth of small rural and township industries. Even according to the official, and certainly overly optimistic, figures, less than 15 percent of China's waste water is treated to meet the state discharge standards.

Besides farmland and water, low forest cover and high rates of soil erosion are the other most worrisome environmental weaknesses. Traditionally extensive deforestation has not been reversed by massive post-1960 afforestation campaigns: only about a third of all plantings have survived, while overcutting, including illegal tree harvesting for fuel, has severely reduced China's stands of natural forests. Deforestation has reduced forest cover in a number of southern provinces by between 20 and 40 percent since the late 1950s. In per capita terms, China's wood reserves are now lower than those of any other populous nation. Higher soil erosion has been the result of deforestation. Improper agricultural methods, and in northwestern provinces, of spreading desertification.

Because of its limited oil and gas resources, China will have to burn even more coal to power its economic expansion. The country is already the largest producer of coal in the world, and hence the largest emitter of particulate matter and sulfur dioxide. Concentrations of soot and sulfur dioxide in northern Chinese cities, especially in winter, are commonly five to 10 times higher than the Western limits. Moreover, acid emissions generated by this combustion are al-

ready causing concern downwind, in South Korea and Japan.

Even if electrostatic precipitators and desulfurization plants were in place to remove nearly all dust and sulfur dioxide, China's high consumption of fossil fuels would become an even more prominent source of carbon dioxide, the leading greenhouse gas.

CHINA'S emissions of all greenhouse gases (besides carbon dioxide from combustion also methane from paddy fields and cattle, nitrous oxide from nitrogenous fertilizers, and chlorofluorocarbons from refrigeration) are already the second largest in the world, still far behind the United States and just ahead of Russia. China will become the world's largest emitter of greenhouse gases within the next 20 to 30 years. Should global warming become an indisputable reality during the next generation, then China's economic and population growth would have enormous effects on the earth's climate — and yet there would be no obvious technical fixes for this unprecedented challenge.

Many new environmental laws enacted since the early 1980s have not successfully changed the pace of degradation. Cleaner fuels and better waste-water treatment in some major cities, large-scale distribution of more efficient stoves in rural areas, better protection of farmland in some high-productive agricultural regions, and the setting up of new natural reserves have been perhaps the most successful changes.

Even the emergence of a democratic, free-market China could do little to change radically either the country's at-risk population growth or its long-term environmental prospects. Ultimately, all economies are just subsystems of the global ecosystem. Tomorrow's China behaving as if there were no limits to its prosperity would inflict irreparable damage to its environment, and it would be also the largest contributor to potentially destabilizing global climatic change.

VACLAV SMIL is an ecologist interested in interactions of environment, energy, land, population and public policy whose latest books are "China's Environmental Crisis" and "Global Ecology."

Hong Kong Seeks Clues to Its Future

By Kevin Murphy

HONG KONG — Only 37 months remain until Hong Kong reverts to Chinese rule, but mapping how the transition will unfold is obscured by turbulent relations between its current and future landlords.

Cooperation between Britain and China has never been straightforward. Minor details of Hong Kong colonial administration tend to become embroiled in much larger, if unrelated, disputes between London and Beijing.

With an unresolved, year-and-a-half stand-off over electoral reform in the colony poisoning an already uneasy partnership, prospects for a smooth transfer in sovereignty appear dimmed.

But in Hong Kong, which is always at the whip-end of events beyond its control, politicians and analysts are playing down the importance of a political argument lying fallow and perhaps forgotten, and concentrating instead on events in China and the region for clues to future.

"Sino-British relations have hit rock-bottom, but I have a hard time believing Hong Kong politics will be more important than developments in China or U.S.-Asian relations," said Bob Broadfoot of Political & Economic Risk Consultancy in Hong Kong.

"What happens with China's succession after Deng Xiaoping's death, how rivalries between the provinces and Beijing play out and Hong Kong's price competitiveness are what matter most," said Mr. Broadfoot.

After 18 months of bitter controversy over a plan championed by Hong Kong's governor, Chris Patten, to broaden the electoral base for the elections under British rule, Britain and China have returned to the negotiating table on several other difficult issues.

Discussions on Hong Kong's new \$20 billion airport and the transfer of military lands have quietly reopened, with Hong Kong government officials confident that a breakthrough on both is in sight.

"It would appear the Chinese decided to

put the political argument to one side and get on with the economic issues where cooperation is required," said a senior Hong Kong government official involved with the negotiations. "After months of doing nothing, they have returned to talk in a more businesslike way in a less politically charged atmosphere."

However, a high-profile visit by Li Peng, the senior Chinese official on Hong Kong affairs, this month served notice that Beijing hopes to undermine the popular Mr. Patten and a Legislative Council it has threatened to disband after it reverts the city of 6 million in 1997.

Mr. Li broke with established protocol for the first time by refusing to meet with Mr. Patten. Instead he concentrated his efforts on bolstering the legitimacy of a Beijing-appointed body, the Preliminary Working Committee, which is detailing China's policy for the transition.

The committee and a group of carefully vetted Beijing advisers, have become a shadow government and rival power base to the Hong Kong administration, as leading local businessmen, academics and former Hong Kong civil servants have chosen to pledge their allegiance to China.

Hong Kong has also been shaken by Beijing's decision to imprison a journalist working for a local newspaper for his reporting in China. A 12-year sentence for Xu Yang, a Chinese citizen working for Ming Pao Daily, and the subsequent refusal to grant China visas to reporters who signed a petition calling for his release have cast a long shadow over press freedom in the colony.

The combination of China's willingness to overturn an established political system it does not support and its stark stance on press freedom has left many Hong Kong residents fearful that Beijing will not honor the Sino-British Joint Declaration of 1984, the framework for the sovereignty transfer.

"Hong Kong is now the most free society in Asia, but that is changing rapidly," said Martin Lee, head of the liberal United Democrats of Hong Kong political party. "There is a real sense in the Hong Kong community that we are headed toward 1997

without a sufficient measure of democracy to preserve our rights and freedoms," said Mr. Lee. "There is absolutely no way a Beijing-controlled Legislative Council will be able to check abuses by the Beijing-appointed executive and Executive Council or protect the rule of law after 1997."

Despite increasing self-censorship by local media and ordinary citizens alike, many in the community, especially the business sector, have largely ignored creeping threats to Hong Kong's way of life.

"Life here won't be the same, I think we all acknowledge that. But China needs Hong Kong largely intact. So I don't know things will change too much," said a young Chinese woman, who like many others has returned from Canada, new passport in hand, to Hong Kong for a well-paid job in the booming China trade.

"You can still get rich in Hong Kong and frankly, I don't want to live anywhere else," said the commodities trader, whose distrust of Beijing is only matched by her cynicism about Mr. Patten's move to introduce more democracy in the colony after 150 years of inaction.

Like many other business people with an "insurance policy" — another passport — the trader is more worried about events in China and the future of U.S.-China trade. In the longer term, China's stability, the rise of Shanghai as a potential international commercial and financial center give Hong Kong pause.

With its transparent legal system, professional civil service, excellent infrastructure and international amenities, Hong Kong remains China's, if not Asia's, preeminent business city. But it is clear that Shanghai, a significant source of China's top leaders, covets the colony's success.

"What happens between Beijing and the provinces and the major cities of China vastly exceeds Britain's role in the future of Hong Kong now," said Mr. Broadfoot. "How Hong Kong positions itself as part of China will be the key to its future."

KEVIN MURPHY reports from Hong Kong for the International Herald Tribune.

The Lessons of Tiananmen Square: A Demonstrator Looks Back

By Wang Dan

BEIJING — Around this time in 1989, I published an article, "China: Students Will Fight for Democracy to the End," in the International Herald Tribune. At that time in Beijing, the largest democratic and patriotic movement in China's history burst out.

More than 3,000 young students started a hunger strike in Tiananmen Square. Their brave action won the concern and support of the nation and the whole world.

Now five years have passed, a period in which the world has experienced traumatic

change. The old communist regime has collapsed and the structure of the world is a new one. If we observe the reason for such astonishing change in such a short time, no one can ignore the 1989 democratic movement in China.

The strategy the Communist Party used, especially on the 3d and 4th of June, to put down the students' movement, shocked the whole world. That behavior was so barbaric and so ugly that I don't want to expend more of my energy to express my anger again.

But as a participant in that movement I am now more willing to examine what mistakes we made at the time.

The students' only motive for this radical political expression was their hope of pushing

China's political reform so that the country could enter democratic and civilized modern society earlier.

Because of this pure motive, we received wide support from all classes of people throughout the nation. And that support is the fundamental reason why the students' movement had no way to defend itself when it faced the government crackdown.

As students, we never thought we were creating a political movement, we simply thought what we created was just a students' movement. And the purpose of the students' movement was to express our political needs and hopes, represent people, raise questions and bring out answers and require the government to accept them.

Even the radical students never thought about using political struggle strategies such as getting involved in senior level government power rivalries, stirring up the ordinary people or establishing allies with other political powers that joined the movement later. At that time there was a slogan that expressed this attitude — "Keep Students' Movement Pure."

We never thought about using any effective political means to fight against the government. If we had looked at our behavior as a political movement, we would have had to be prepared to accept compromise, because political struggle itself is the art of compromising.

But the fact was the students had no desire for power politics. As intellectuals they felt only a responsibility to express political hopes. And that was considered by the government as leading to anti-Communist Party and anti-Socialist chaos. Being not only misunderstood and not accepted, but also suppressed and excluded, led many students to refuse to accept withdrawal — not even a tiny step backwards — as an option.

For that reason the two parties reached a deadlock. If we had decided ourselves to leave the square and use other opposition methods rather than stubbornly insisting upon staying there, very possibly the students would not have paid such a high price.

Even so, June 4 had a very important influence on China and the world. There is great historical significance in it, but the most important feature is as very powerful democratic enlightenment in action.

The role of that enlightenment is to express to the people the worth of democracy and freedom

as values. That worth had been diluted in people's hearts as a result of decades of political pressure. But in the '89 democracy movement, the students were ready to give their lives for their dreams and that spirit truly touched the people's hearts. That point is so significant in the process of China becoming a modern society that I cannot stress it enough.

Any country that wants to follow a democratic path cannot miss a single basic premise: The people have pretty strong desire for democracy. It is the intellectual and other progressive powers' social duty to build on that

If we had decided ourselves to leave the square, very possibly the students would not have paid such a high price.

premise. That was also the very strong mission we felt in 1989. And from this point of view the '89 democracy movement established a very solid foundation for China's realization of democratic politics.

Now China appears greatly changed, but deep scars from June 4 remain. A very obvious one is that ordinary people are in general cold and detached when faced with political matters. That is an unavoidable result after the bloody crackdown.

Some people think the main cause of this political coldness and detachment is the June 1989 democracy movement. They accuse the movement of bringing negative influences to bear on the process of China's modernization. The real reason for political detachment is not the '89 democracy movement — it is the June 4 events. Therefore, the government, not the students, is responsible.

The root of people's coldness is disappointment rather than fear. For that reason, that coldness must be temporary. The longer you keep the people's hearts, the stronger it will be when it eventually breaks out. The 1989 democracy movement has already planted the seeds of democracy in people's hearts. When the spring wind blows all over China, it will bring out magnificent flowers.

We are far from making a final judgment on the democracy movement's influence on China's development. We must see both the '89 democracy movement and the crackdown on it as historical events already formed as an emotional knot in the Chinese people's hearts: it not only affects Chinese people's political faith and behavior now, but also will affect China's future political development.

If this emotional knot is not untied, China's political development will not be able to get on the right track. And without political reform, China's economic reform will not have a breakthrough. Most Chinese agree that if China wants to be rich and tough and strong, the only way to do it is to get on the reform road. This poses a very urgent question: How to solve the June 4 matter?

Now China avoids the issue as taboo. That doesn't prove it is in the past. On the contrary, it is proof that the matter is playing a decisive role in China's political development.

After Deng Xiaoping's death the first issue China will face will be readdressing the June 4 events, not only at the top levels in the Communist Party but also among ordinary people. Unless it does this, China will find it impossible to make a smooth transition to a modern society.

I don't make such a judgment because I was a member of the '89 democracy movement, but because democracy is a trend as mankind advances in time. No force can stop this world-wide wave. The 1956 Hungarian events, the 1968 Prague Spring and the April 5 movement in China in 1976 all received a fair judgment from history. Why should the '89 democracy movement be an exception?

It has been five years since 1989, but I do hope the world — especially the people of China — will not forget June 4 because history tells us "forget misery and that is the beginning of misery."

WANG DAN is a former history student at Beijing University whose idea for a hunger strike helped spark the Tiananmen protests. He spent 3 1/2 years in prison for counterrevolutionary incitement and propaganda. Now a freelance writer, he has finished "Autobiography in Jail," and is preparing to write a second book about the 1989 pro-democracy movement.



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CONSUMER MARKETING

The group markets a variety of products ranging from household electrical products, and furniture to toiletries, apparel and movie video tapes.

The largest of its companies, Sinter Malaysia, distributes household products under the world-renowned Sinter brand through over 1,000 retail outlets and a canvassing force of over 3,000 personnel.

Berjaya Sinter also owns 50% of Cosway (M) Sdn Bhd, which markets a wide range of products including consumer electronics, cosmetics and health supplements.

And Berjaya's subsidiary, Rapid Computer Centre, develops and markets children's educational software.

GAMING

Since privatization of state betting in 1985 in Malaysia, lottery ticket sales have increased by over 400%. This tremendous demand is met by Berjaya's subsidiary, Sports Toto, with its 720 outlets throughout the country.

MANUFACTURING

The Berjaya Group operates a joint venture with a South Korean group, Hyundai Motor Company, to manufacture the first Malaysian-made, light commercial trucks for local and overseas markets.

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INTERNATIONAL LOTTERY AND TOTALIZATOR SYSTEMS INC.

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The Berjaya Group has demonstrated its unique formula for business success beyond the shores of Malaysia.

In the People's Republic of China, the Group is involved in infrastructure and property development, as well as in leisure and industrial activities.

These include joint-venture operations such as Shantou Golf Club Ltd. and Beijing Zhong-Gui Printing Co. among others.

In the USA, it has acquired 49% of International Totalizator Systems Inc., a NASDAQ-listed company, which specializes in the design and manufacture of computerized ticket-selling systems for global sporting and lottery industries, and the provision of computerized online betting services for computerized online betting.

Berjaya also owns 41% of Wintee Hong Kong Holdings Ltd., a property investment holding company quoted on the Hong Kong Stock Exchange.

In the Philippines, a Berjaya associate has been selected to operate a computerized online betting system for the Region of Luzon.

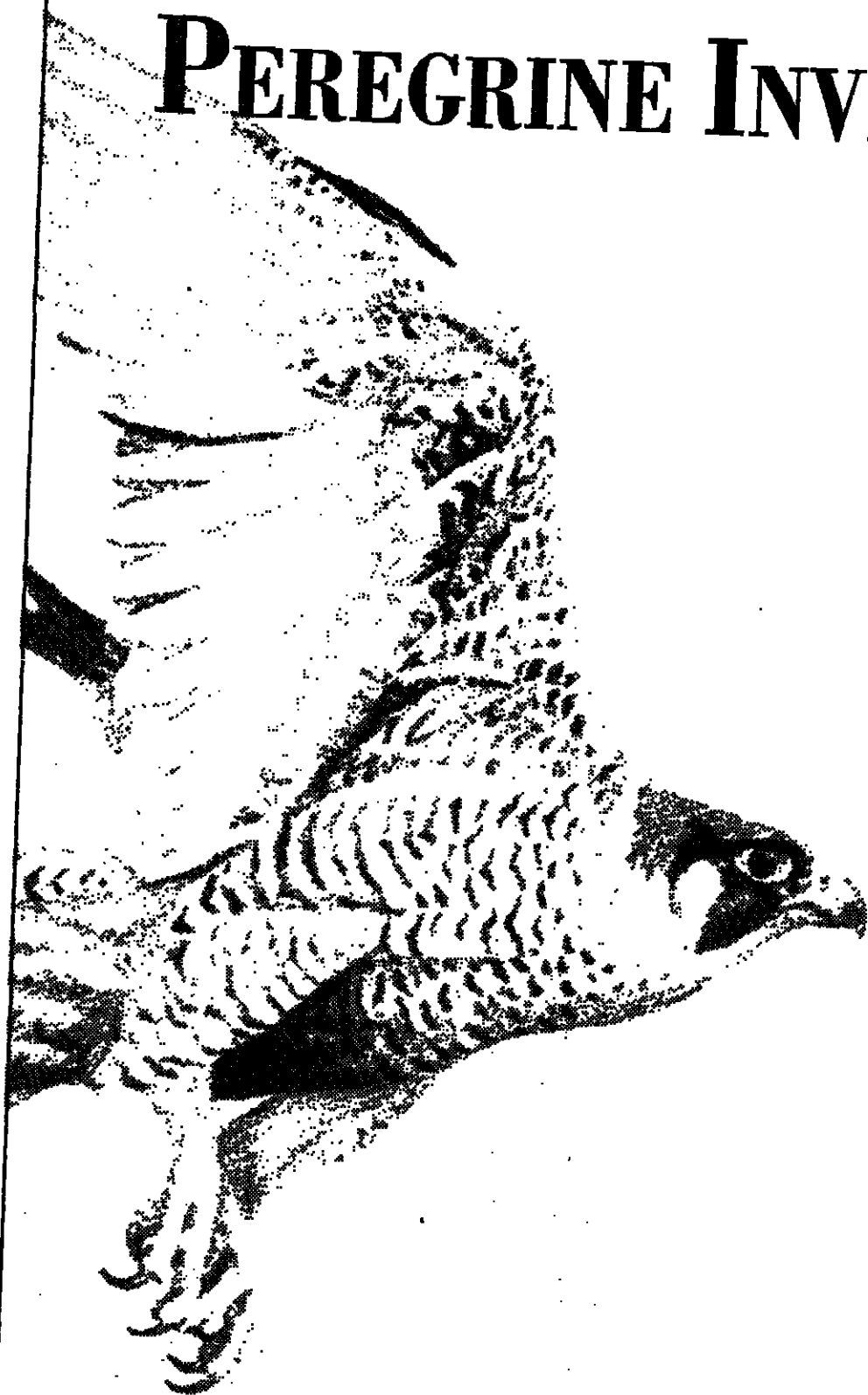
And now, the Group has secured the Asia-Pacific rights for an American fast-food chain called Kenny Rogers Roasters Restaurant.

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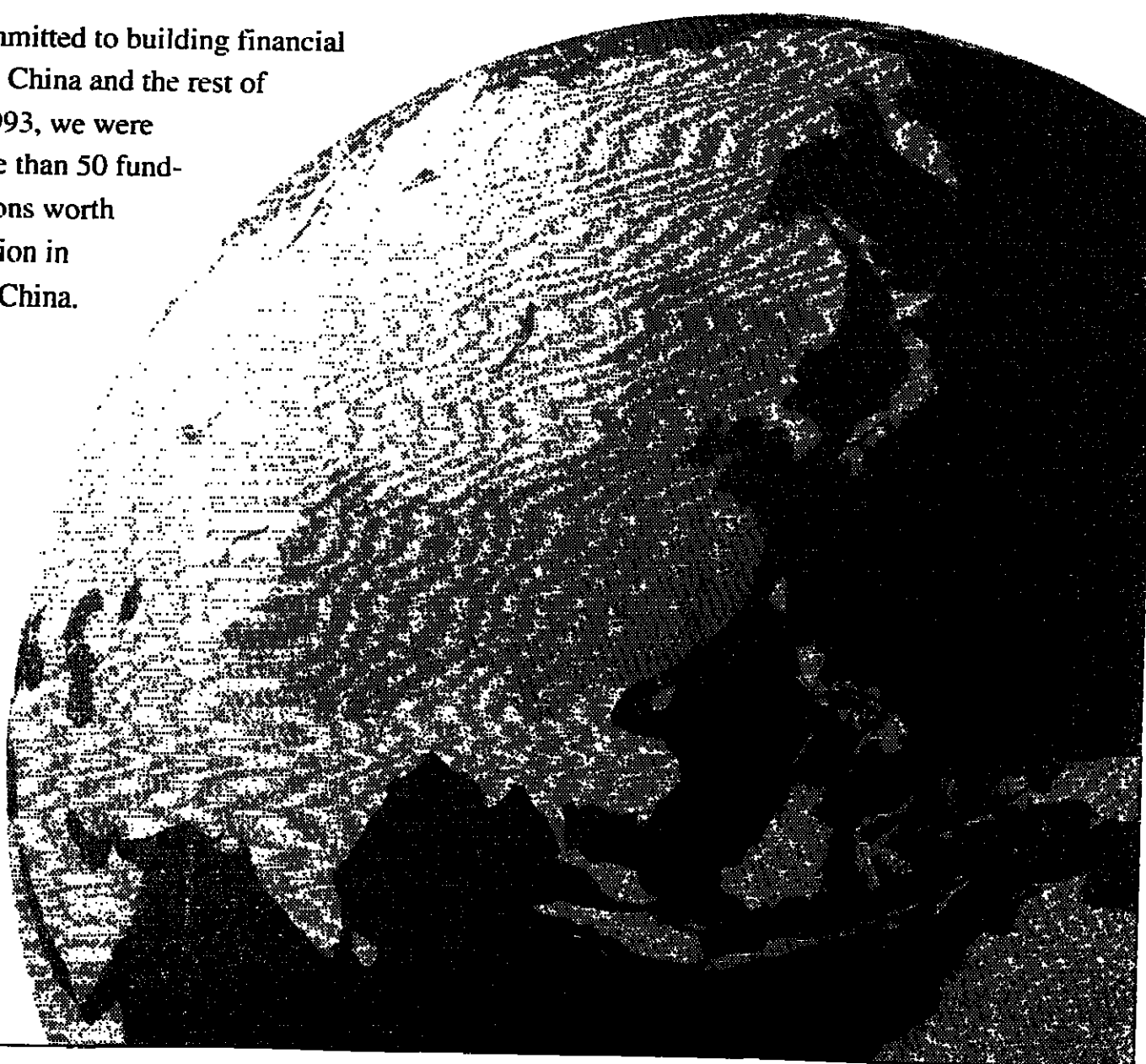
As a sponsor of the 1994 China Summit Meeting in Beijing, we contributed to bringing together the highest levels of Chinese government officials with leaders of the international business community to discuss China's economic direction for the 21st century. *China's century.*

Peregrine is uniquely positioned to create and execute investment and financial strategies in China and throughout the region. We are Asia's largest independent investment bank outside Japan with:

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| Date | Company | Transaction | Transaction Amount (in HK\$ million) |
|--|---|--|--|
| 1990-94 | CITIC Pacific Limited | Advisor/Lead underwriter | M & A/Financing 18,110 |
| 1991 | Guangdong Investment Limited | Financial advisor/Lead underwriter | M & A/Private placement 552 |
| 1992 | Guangdong Investment Limited | Financial advisor/Lead underwriter | Private placement 1,620 |
| | Hai Hong Holdings Company Limited | Sponsor/Lead underwriter | PO 92 |
| | China Overseas Land & Investment Limited | Sponsor/Lead underwriter | IPO 845 |
| | China Travel International Investment Hong Kong Limited | Sponsor/Lead underwriter | IPO 400 |
| | Guangzhou Investment Company Limited | Co-underwriter | IPC 446 |
| | Shenzhen Huafu Electronics Company Limited | International co-ordinator/Lead underwriter | B shares IPO 63 |
| | Shenzhen China Bicycle Company (Holdings) Limited | International placing agent | B shares IPO 153.7 |
| 1993 | Denway Investment Limited | Sponsor/Lead underwriter | IPO 451 |
| | Shanghai Petrochemical Company Limited | Co-sponsor/Co-lead manager | B shares IPO/International placement 2,600 |
| | Guangzhou Shipyard International Company Limited | Sponsor/Lead underwriter | H shares IPO 327 |
| | Stone Electronic Technology Limited | Sponsor/Lead underwriter | IPO 189 |
| | Continental Mariner Investment Company Limited | Lead underwriter | Rights issue 1,040 |
| | Guangzhou Investment Company Limited | Co-manager | Convertible Bonds (US\$)105 |
| | Shanghai International Shanghai Growth Investment Limited | Sponsor/Lead underwriter | IPO (US\$)104 |
| | China Travel International Investment Hong Kong Limited | Financial advisor/Co-lead manager | M & A/Convertible Bonds (US\$)137.5 |
| | Zhuhai Special Economic Zone Lishu Pharmaceutical Group Inc | International coordinator/Lead underwriter | B shares IPO 118 |
| | Shenzhen Lijada Holdings Company Limited | International coordinator/Lead underwriter | B shares IPO 105 |
| | Shanghai Dazhong Taxi Company Limited | International coordinator/Lead underwriter | B Shares Rights Issue (US\$)8.6 |
| | Shanghai Phoenix Bicycle Company Limited | Co-underwriter | B shares IPO (US\$)40.5 |
| | Shanghai Hero Company Limited | International coordinator/Lead underwriter | B shares IPO (US\$)115.4 |
| | Shanghai Diesel Engine Company Limited | Co-underwriter | B shares IPO (US\$)52.3 |
| | Shanghai Chlor-Alkali Chemical Company Limited | International coordinator/Lead underwriter | B Shares Rights Issue (US\$)22.1 |
| | China Aerospace International Holdings Limited | Financial advisor/Lead underwriter | Rights Issue 1,120 |
| Hong Kong companies, the principal business of which is investment in power industry in China: | | | |
| | Wing Shan International Limited | Sponsor/Lead underwriter | IPO 55 |
| | Consolidated Electric Power Asia Limited | Sponsor/International placing coordinator and lead underwriter | IPO 6,234 |
| | Wing Shan International Limited | Lead underwriter | Rights Issue 479 |
| 1994 | Guangzhou Investment Company Limited | Financial advisor/Lead underwriter | Placement 1,030 |



A Force to Be Reckoned With in Business: The Army

By Tai Ming Cheung

BEIJING — China's soldiers are swapping their uniforms for business suits these days in the search for profits. As the government is unable to afford the costs of feeding or arming the 3 million strong People's Liberation Army, military units are having to find their own ways of making money.

The PLA's approach to business is the same as its war-fighting strategy: advance aggressively on all fronts and in overwhelming numbers.

Military units have set up tens of thousands of companies in the past 10 years, ranging from mines in the impoverished interior to property and securities firms in booming coastal regions.

Military-owned enterprises have proliferated so rapidly in the past few years that even the PLA's General Logistics Department, which is charged with checking the activities of these companies, has little idea of the size of the PLA business empire. One official estimate reckoned there were more than 20,000 military-run enterprises employing several million workers. But there are many thousands of enterprises that operate without official knowledge so as to avoid having to share their profits with the military authorities. Most are small, barely profitable outfits that provide jobs for family members of military personnel or demobilized soldiers, such as shops and hostels. But the military authorities want to consolidate some of these enterprises into large conglomerates to take advantage of economies of scale.

The biggest military-run business concern is the Poly Group, which is affiliated with the PLA's General Staff Department that oversees the military's operational readiness. Poly was set up in 1982 as a subsidiary of China International Trust & Investment Corp., one of the country's best-known financial institutions. It was the PLA's main arms dealer and exported billions of dollars worth of weapons during the 1980s. A slump in arms exports since the end of the 1980s has seen Poly turn its attention increasingly to nonmilitary related business activities, in particular property development and barter trade with Russia. Income from civilian business accounted for more than 80 percent of Poly's total turnover of \$1 billion in 1992.

Poly's goal now is to follow in the footsteps of CITIC and become a respectable financial and trading powerhouse. Poly separated from CITIC two years ago and is now an independent corporation with its own brand-new \$70 million headquarters complex. It has set up its own Poly International Trust & Investment Corp.

Other military units boast their own conglomerates. China Xinxiang Corp. belongs to the PLA General Logistics Department and ranks second in size to Poly with around 70 enterprises that produce uniforms for the army. The PLA General Political Department, which upholds the military's ideological purity, operates Carri Corp., which runs karaoke clubs in Beijing and has property investments in Hong Kong.

The air force operates a commercial airline using old Russian airliners and flying out of

military airfields and the navy has its own shipping fleet.

The military-run enterprises are lucrative. Some estimates put the profits earned at around 50 billion yuan (\$3.5 billion) in 1992 on turnover of more than 100 billion yuan. But military officials say that only around 5 to 10 billion yuan ends up in central coffers.

This extra income helps to supplement the inadequate funds provided for the government. Even though the defense budget has grown steadily in recent years, including a 21 percent increase this year to 52 billion yuan, the increases have been more than swallowed up by the high rates of inflation in the same period. By official estimates, the military's purchasing power has been cut by up to 25 percent in the past 15 years.

Much of the profit that does not reach Beijing goes into the pockets of military officials and is spent on luxury consumer goods. While military chiefs complain that they do not have the funds to modernize the PLA's outdated arsenal, the country's roads are teeming with expensive imported Mercedes-Benz or Lexus sedans sporting military license plates.

Military enterprises get special privileges that are the envy of their civilian counterparts. These include generous tax breaks and access to state-subsidized raw materials.

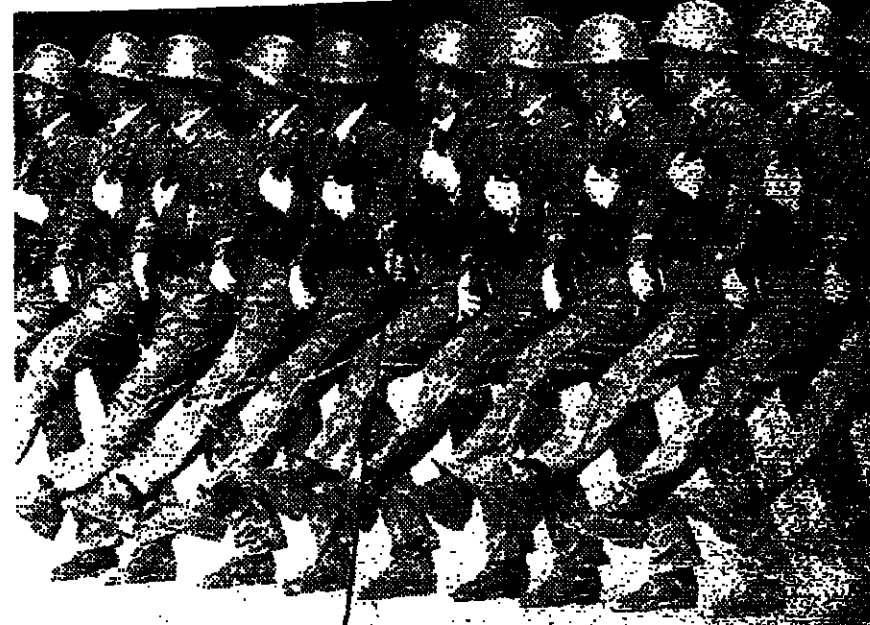
The PLA's enormous political clout means that the civilian authorities do not dare to interfere with the military's business activities. Military companies have been free to bend or break the rules with little fear of being punished. Executives of military-owned companies say that they can easily smuggle in foreign

goods under the noses of the customs authorities. In the mid-1980s, naval units in Hainan Island, a tax-free special economic zone off the Guangdong coast in Southern China, helped to smuggle in tens of thousands of Japanese luxury sedans and electronic equipment to the mainland.

Some civilian companies have been the target of hostile takeover bids by military-backed companies. According to Western diplomats who have followed some of these takeover battles, the military companies would sometimes turn off the water and utilities supplies to these companies if they resisted.

Abuses by military units for commercial gain became such a major headache that the military authorities have a series of regulations detailing which business activities are out of bounds for military units. Army units are not permitted to use military vehicles or resources for "speculation, profiteering and smuggling"; they are not permitted to "lend, hire out, and sell military vehicle licenses, bank accounts and blank invoices"; they cannot "participate in panic buying of goods at higher prices, illegally buying up goods, profiteering and raising prices in any form"; and serving soldiers cannot be employed to work for companies or engage in trade.

The selling of military vehicle licenses and other military identification materials has become so endemic that authorities occasionally have to replace the number plates of all military vehicles. Military registered vehicles are exempted from paying toll charges and are off-limits to the police.



China's military has set up an estimated 20,000 private enterprises.

Military chiefs have also repeatedly stressed that there should be a clear separation between the activities of military units and the enterprises they set up. Officials acknowledge that the rule against employing active soldiers, for instance, is widely ignored.

PLA chiefs are also deeply concerned at the rising levels of corruption and other negative consequences that have come from the military's commercial activities.

Despite occasional fierce warnings by military officials over the perils of capitalism, the

PLA's growing dependence on the earnings made from business transactions has moved to seriously restrict the activities of military-backed enterprises. Although army chiefs had initially hoped the early 1980s that the PLA's army and business world would only be a transient phenomenon, it appears now that military units are a permanent fixture in the economy.

TAI MING CHEUNG is a China correspondent for Kim Eng Securities in Hong Kong.

Japanese Firms Discover China as an Investment Site

By Steven Brull

DALIAN, China — In a single room of Mabuchi Motor's sprawling factory here, more than 1,000 young women wearing light blue smocks and neckties are hunched over Japanese machines, churning out fingertip-sized mini-motors at the rate of 200 million per year.

Diligent despite wages that are dirt cheap by international standards, the workers are an unbeatable resource that has driven the Japanese company, which controls more than half the world market for mini-motors used in cars and consumer electronics, to shift three-quarters of its production to China, thus escaping the strong yen.

But the swelling ranks of factory workers here are also part of the emerging consumer class in China and elsewhere in Asia, a demographic upheaval that Mabuchi thinks will help it to triple sales to 200 billion yen (\$1.9 billion) by 2000.

"When we came to Dalian seven years ago, televisions were still a rarity in the countryside," said Shoji Nishimura, general manager of Mabuchi Motor Dalian Ltd., the biggest Japanese company in Dalian. "Now they are widespread and videotape recorders are about to follow the same pattern."

After years of fence-sitting related to China's uncertain political and economic outlook, a groundswell of Japanese companies is following Mabuchi's strategy. Japanese direct investment in China, which doubled to about \$2 billion in 1993 from the year before, is likely to rise 30 percent more, to \$3 billion in 1994, said C.H. Kwan, senior economist and head of Asian research at Nomura Research Institute in Tokyo.

Attracted initially by cheap labor, Japanese investment in China is almost more and more satisfying consumer demand in China, from beer to consumer electronics. Increasingly, it is shifting from northeast China — where Japan laid the foundation of Chinese heavy industry during its colonization of Manchuria between 1931 and 1945 — to Shenzhen and Shanghai in the south, where there is greater population and consumption.

To be sure, Japanese executives are aware that China's inflation, rising labor disputes, growing budget deficits and other macroeconomic problems pose severe risks to the country's development. But many are simply too busy trying to meet surging demand for their products to be overly concerned.

"We're running at full capacity trying to meet the demand of this market," said Takao Minami, vice president of Dalian Sanyo Refrigeration Co., adding that the company planned double production of industrial-use air conditioners in each of the next two years. "We can only be confident about the long-term outlook. The direction of reform will not change."

The surge of Japanese investment in China will be crucial to Tokyo's goal of restructuring its economy, which remains too dependent on manufactured exports given the yen's brutal strength and acid trade relations with the United States and Europe. Japanese capital and technology — and eventually, one presumes, even its more open markets — also will be indispensable to transforming China's economy from central planning to one governed by market forces.

The fate of Sino-Japanese relations, moreover, will largely determine the course of economic development throughout Asia. If the region's two largest powers can avoid direct economic conflict, the stable strategic environment that has fostered intraregional trade and growth can be maintained. But if the countries

revert to their historic animosity, that dynamism would be damaged as countries are forced to choose sides and engage in a costly arms buildup.

In Dalian, a port city in northeast China that Japan controlled for four decades until the end of World War II, the determination of the Japanese government to promote investment is evident in the Dalian Industrial Park Development & Administration Co., a joint venture begun two years ago with 15 billion yen (\$1.43 billion) in backing from Japan's Overseas Economic Cooperation Fund.

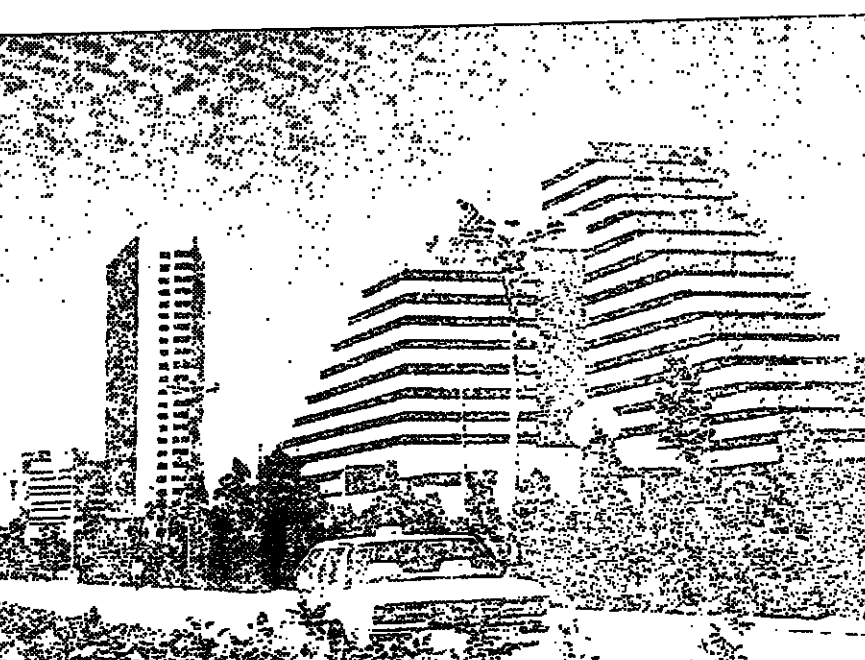
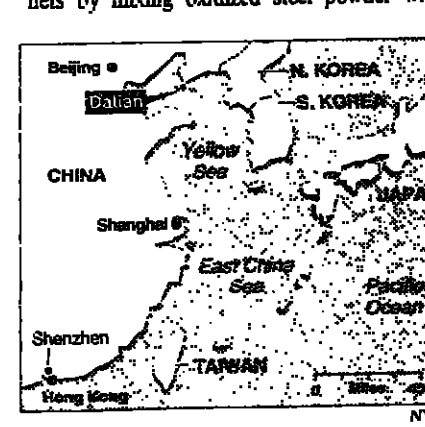
The venture, which aims to attract smaller Japanese companies that can act as suppliers to the many larger concerns already here, is developing and selling plots within the industrial park, offering cut-rate loans, and extending assurances about the provision of water, electricity and other necessities. It is also giving advice on dealing with China's opaque labor laws and government officials. "With the government involved, Japanese companies feel more assured," said Yosuke Aruga, general manager of the Dalian office of Marubeni Corp., one of Japan's leading trading companies.

A stream of small-sized Japanese suppliers are setting up shop, joining more than 700 other foreign companies that have already invested more than \$2 billion in the industrial zone about an hour's drive out of town. The park, much of it crisscrossed with new construction sites and framed by the skeletons of half-finished hotels and factories, is home to more than 200 Japanese companies, part of an overall group of more than 700 in the city. Soon to join the list will be the biggest consumer electronics factory in China, a joint venture producing basic parts for VCRs in which Matsushita Electric Industrial Co. has invested 9 billion yen.

Li Yuefen, a director of the OECF-funded project, said the number of Japanese companies investing with the venture would likely rise from 14 to 40 by the end of this year, and to 70 by the end of 1995. Newcomers include Fuji Electric Co., Toto Ltd., Japan's leading toilet maker, and Takara Sauce KK, a Kyoto-based sake distiller branching out into pharmaceutical research.

These companies are slowly enhancing a local production chain that will facilitate an expansion of Japan's presence in the market. Now, many manufacturers still rely heavily on imported raw materials, using factories in Dalian primarily for export-reprocessing.

Mabuchi Motors, for example, imports 98.5 percent of its parts and materials, 20 percent of which are fully finished components such as specialized wires and metals. Local supplies of sufficient quality are simply not available. The result is that much of Mabuchi's staff of 6,900 is engaged in labor-intensive tasks such as stamping tiny metal parts from huge coils of silicon steel, or fabricating small electromagnetic by mixing oxidized steel powder with



Office buildings in the booming port city of Dalian.

A Distributor's Nightmare

Biggest Obstacles in Marketing Are Physical Ones

By Jon Liden

FORGET that China is the market of 1.2 billion toothbrushes. Instead, consider this: China's land area is roughly the size of the United States, but it has less than one-sixth of the U.S. road network, more than half of its dirt roads that are impassable in winter or rainy seasons. Freight trains tend to set off only when they are full. Humidity makes wet mud of carton packing in days and the Styrofoam protection that can guarantee a color television will arrive at an inland Chinese retailer in one piece is yet to be made.

Producers and distributors of consumer products agree that the physical distribution of goods now poses the main obstacle for increased sales in China. "In theory, we can hope to reach perhaps 20 percent of the population, although the potential differs greatly from product to product," says Peter Christensen, product manager in Hong Kong at East Asiatic Co., a trading company with over 100 years' experience in China. East Asiatic has established five branch offices and more than 40 sales offices in all of China's provinces to market brands such as Paul Masson wines, Campbell soups, Mars chocolate and Lego toys.

Despite drastic increases in sales for many of its products, the investments needed to build a distribution network in China are daunting. The company admits that the day when EAC's China operation will make a profit is a few years away. With such distribution costs, many companies soon find a balance between a potential realistic market. China's decentralized structure and parochial attitudes mean that each time a product is to be introduced to a new province, new connections have to be made, official and unofficial authorities have to be won over, distribution links have to be set up and a new marketing campaign has to be kicked off in the local media.

Elsewhere in China, business sense often wins over vanity. "Most people know that many of the expensive clothes with foreign brand names actually have been made in China," argues Mr. Wong. "As long as both are made in China, many consumers prefer local brands that are much cheaper."

There are pockets of wealth in poor areas," agrees Mr. Varberg, who spends much of his time combing the northern district towns for transport companies, retailers and other contacts. "There are a few oil-producing areas in Heilongjiang province. Lots of people have money there, but how do you get the products out to them?"

With 108 million people, Sichuan is the most populous province in China, but since the capital, Chengdu, is almost 2,000 kilometers (1,240 miles) of poor roads away from the nearest port, the province has only recently been targeted by consumer-products companies.

Despite its vastness, China is a surprisingly homogenous country in terms of product preferences, foreign consumer goods companies, distributors and analysts agree. Apart from the obvious differences — such as that rice cooks sell better in the south where rice is a staple than in the north, which eats more noodles — the uniformity of communist rule seems to have shaped a similarity in post-communist taste.

While distribution determines the success for food products and consumer durables, marketing plays the dominant role for the garment industry.

For most fashion companies, the market still lies only in the country's four main cities: Beijing, Shanghai, Tianjin and Guangzhou. Even within these cities, there are differences. "For fashion garments, which are so dependent on brand recognition, some companies only look at Guangdong," says Alan Wong, an analyst with W.I. Carr in Hong Kong. "In the south, people watch Hong Kong television and are more familiar with international trends."

Elsewhere in China, business sense often wins over vanity. "Most people know that many of the expensive clothes with foreign brand names actually have been made in China," argues Mr. Wong. "As long as both are made in China, many consumers prefer local brands that are much cheaper."

JON LIDEN is a journalist in Hong Kong.

Beijing Looks to Australia for Resources and Expertise

By Michael Richardson

MELBOURNE — A growing number of companies controlled by the central and provincial governments of China are turning to Australia to gain access to natural resources, capital, technology and expertise needed to sustain rapid development of the Chinese economy.

Most of China's mines and resource-based industries are in the north while the fastest growing regions are far to the south.

With Chinese rail, road, port and pipeline systems strained to the limit, many companies controlled from the country's fastest growing provinces and cities on the east coast have had to look abroad for new sources of imports to keep up with explosive demand.

"China's economic growth is so rapid, and its industrial base so underdeveloped, that buying steel mills, aluminum smelters, and pulp and paper factories in the West makes more sense than waiting for these industries to develop within China," said Matthew Fletcher, finance editor of Asian Business magazine.

Australia has a comparative advantage because it is "a very good base for exporting primary resources, including minerals and

meat, to China and other fast-growing economies of Asia," said Zhang Jijiang, managing director of CITIC Australia Pty.

The company, which is considering listing in Australia in 1995, is a unit of the Beijing government's capitalist-style investment vehicle, China International Trust & Investment Corp.

Guangdong Corp., a Hong Kong-based investment company controlled by the Guangdong provincial government in southern China, became the first Chinese-backed company to make a share flotation in Australia in September when it successfully offered 28 percent of its stock.

Guangdong Corp. has a 90 percent holding in a building products company in Hong Kong. Money raised from the Australian issue is helping fund the company's expansion in the territory.

Although the float of Guangdong Corp. was small — 9.6 million shares worth 7.5 million Australian dollars (\$5.5 million) — it was an important test of how Chinese companies would be received by the Australian market, said Richard Li, managing director of Sino Investment Services Pty., the underwriter.

Mr. Li said that Sino Investment was working on another three listings of companies that would have strong China connections and

helped to bring them into the Australian market by June. He said that companies were involved in software development, construction and manufacturing.

China is hungry for technology and expertise as well as raw materials for its industry. "Australia has a lot of good, innovative technology but lacks a large domestic market," Mr. Li said. "Asia has a vast market and needs the Australian technology to get to the next stage of economic development."

Tommy C.B. Lui, managing director of the Hong Kong office of a business group set up by Ernst & Young, international accountants and consultants, to develop commercial links between China and Australia, estimated that investment from Hong Kong in Australian property and resource, manufacturing and technology companies amounted to over 9 billion dollars.

He said that most of the investment had been made in the past two or three years, largely by companies controlled by mainland Chinese government interests.

About 100 companies funded from official Chinese sources have reportedly been registered in Australia. Most are small and unlisted. But a substantial number, such as the recently formed Golden River (Australia) Pty., have big ambitions.

Li Qian Bin, chief executive of Golden River and head of a liaison office established in Perth by the government of China's Zhejiang province to develop joint ventures with Western Australia, said that there was great scope for mutually profitable investment and commercial collaboration between China and Australia.

Zhejiang, a province with a population of 43 million south of Shanghai, is one of China's fastest-growing coastal regions. It is resource-poor while Australia is sparsely populated and resource-rich.

"So they are very much complementary to each other," said Mr. Li, whose name is now Australianized on business cards as Bob Lee. "I see the development of joint-venture companies providing resources to be processed by our cheap labor into products which will be sold on the world market."

Among the projects being promoted by Golden River, named after the longest river in Zhejiang, is supply of iron ore from Western Australian mines to a proposed U.S.-Chinese iron processing plant in the port of Ningbo.

There is strong demand for iron ore in China from steelmakers who are expanding output for the booming construction, transport and infrastructure sectors.

A joint venture formed in October between

Portman Mining Ltd. of Australia and China's state-owned Anshan Iron & Steel group will start exporting iron ore from Western Australia to Anshan plants in China in June.

Portman estimates that the joint venture, which is 40 percent owned by Anshan, will spend at least 25 million dollars developing the mine at Koolberrub, about 400 kilometers (250 miles) east of Perth, and establish a refinery on Cockatoo Island, off the coast of Western Australia.

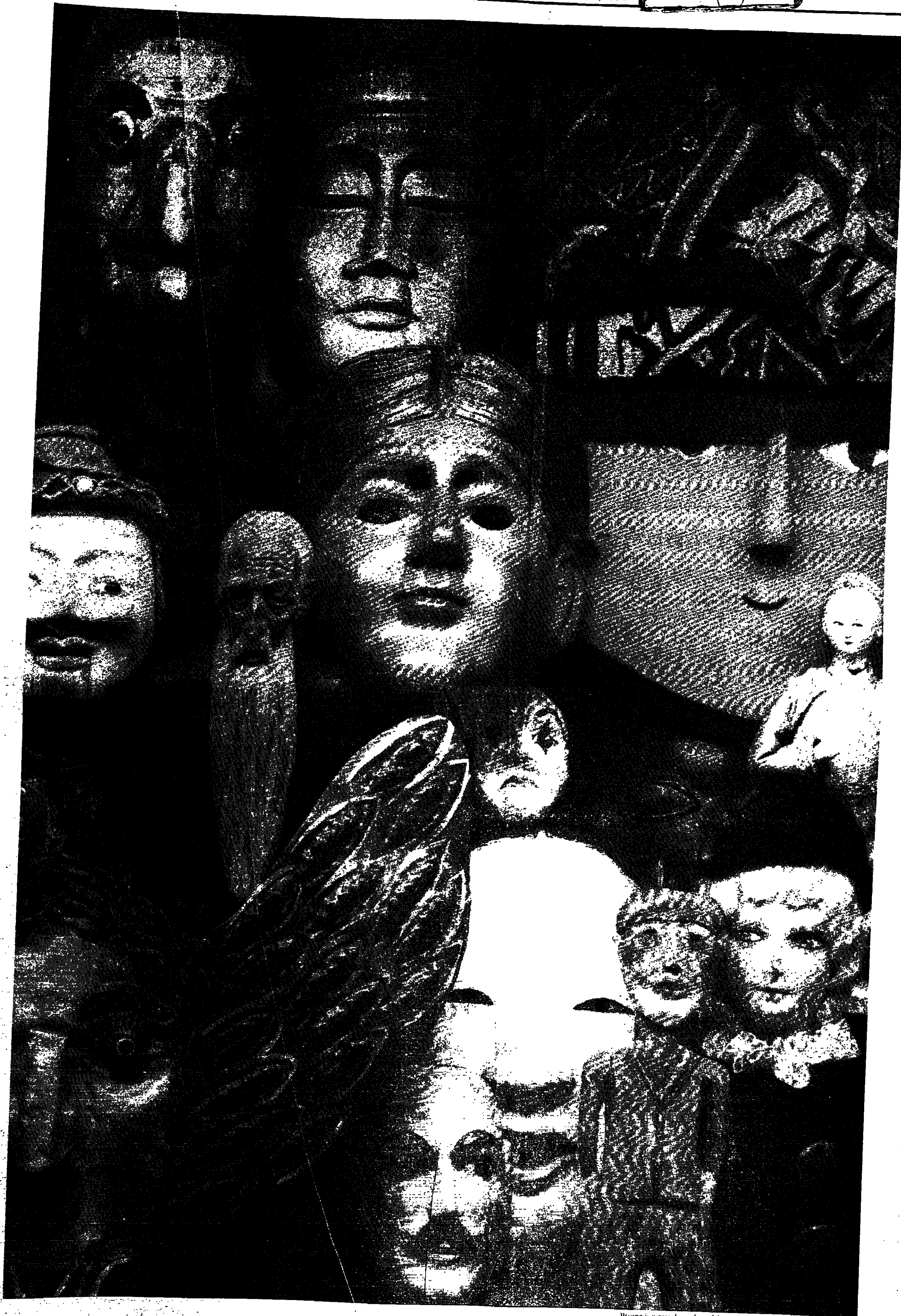
The state-owned China Metallurgical Import & Export Corp. had earlier taken a 40 percent stake in the Channar iron ore mine in Western Australia. The mine is 60 percent owned by CRA Ltd., a leading Australian resource company.

CITIC was the first of the so-called Red Chip Chinese companies to take a strategic stake in Australia when it bought a 10 percent holding in 1986 in the Portland aluminum smelter in the state of Victoria.

Since then, CITIC has expanded into commodity trading, consultancy and financial services, including a joint venture with the Hambro Australia merchant banking and stockbroking group to deal in Chinese shares and invest in mainland-controlled companies in China and Hong Kong.

Kevin Murphy

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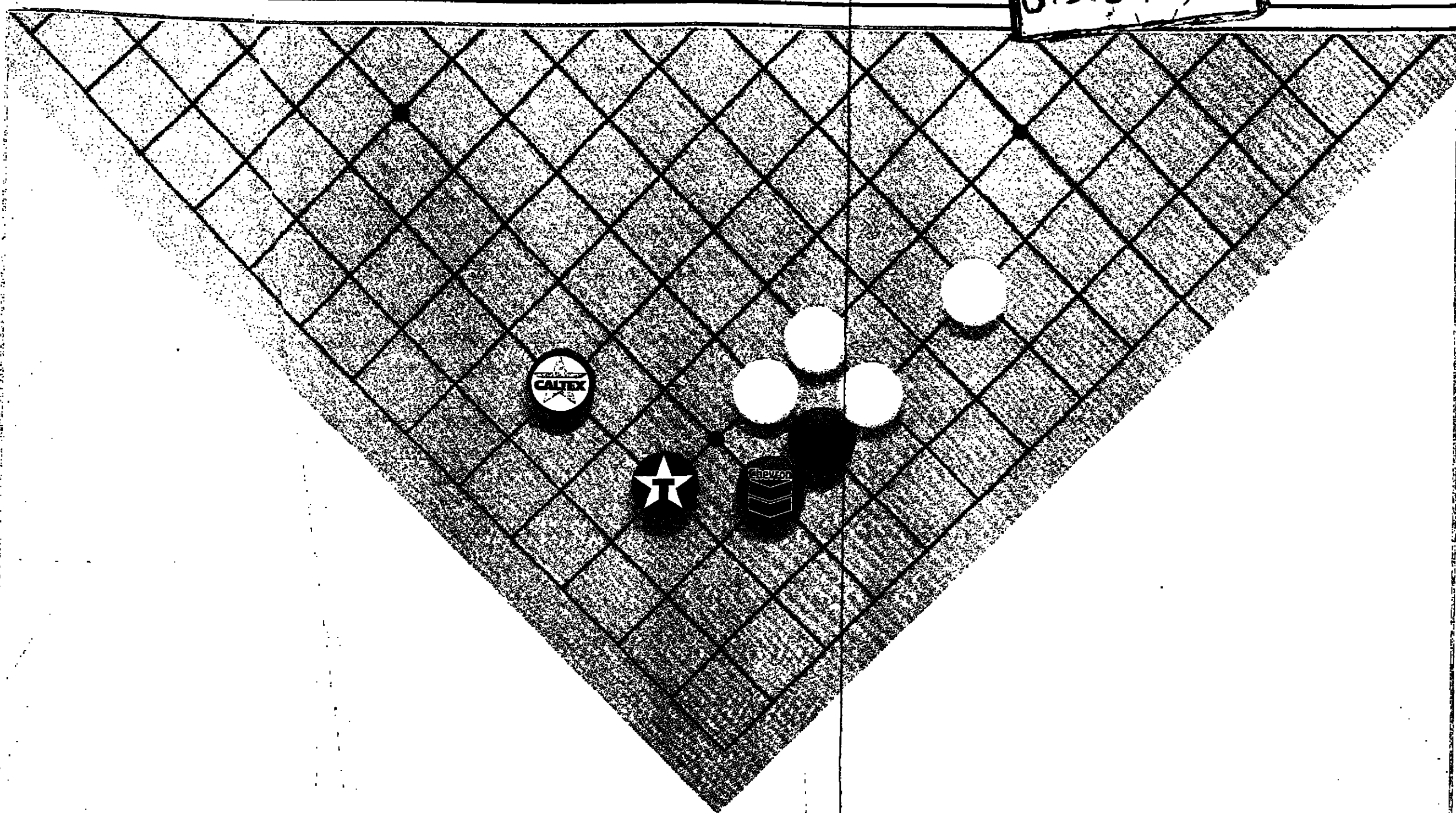


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Cities Plagued by Shortage of Housing

By Richard Tomlinson

BEIJING — At Galar Hutong, a rundown alley in a district of Beijing, the cadre from the local housing administration bureau is trying to persuade the residents that it is time to move out. On offer is improved accommodation close to their present homes, with the possibility of returning once the street has been renovated. The residents are initially reluctant, but the cadre soon convinces them to change their minds in the cause of the city's housing reform program.

Unfortunately, Galar Hutong does not appear on the map of Beijing. It is a play, currently running at the Beijing People's Arts Theatre to packed audiences, for whom the desperate shortage of decent accommodation in the capital — as in the rest of China's overcrowded cities — has become a critical issue. Such has been Galar Hutong's impact that in March the theatre was graced with the presence of President Jiang Zemin and Prime Minister Li Peng. Congratulating the performers on their success, Mr. Jiang told them that "art should try to show realistic life."

Yet in the real world not far from the theater, city authorities have adopted a more brutal (and potentially lucrative) solution to the housing problem. About 20,000 houses in the city center are being demolished to make way for a new financial district, already known wishfully as Beijing's Wall Street. There is no question of modernizing the houses, some of which date from the Ming dynasty, nor of residents being offered new housing nearby. Instead, they are being relocated to Daxing, 20 kilometers (12 miles) south of the city.

There is no question that China's housing crisis requires drastic measures. According to official statistics, the country's 200 million urban residents have an average of only 8 square meters of living space each. Last year, Construction Minister Hou Ji estimated that by 2000, China would need to build a 1.35 billion square meters of new housing and renovate 30 million square meters of dilapidated property. The ministry said more than 306 billion yuan (\$35 billion) was spent on urban housing projects in 1993, a 78 percent increase on the previous year, despite the government's economic austerity program.

The majority of urban residents live in housing owned by their work unit (or the work unit of a relative, for which they pay a peppercorn rent). But since 1980, when senior leader Deng Xiaoping announced that city residents in downtown areas could buy their homes, the government has been trying to reform this system.

One goal is to relieve work units of the financial burden of providing accommodation for their employees; a second goal is to create a market in private property, that will help reduce the urban housing shortage. In addition, the government aims to increase rentals in the state housing sector to pay for new construction work.

The problem is that even after a decade of rapid economic growth, few of these 200 million people can afford the price of property. This April, "China Taxation News" reported that while the average annual savings of urban citizens is 1,300 yuan, the average market price for a 50-square-meter apartment in a big city is more than 60,000 yuan.

Not surprisingly, this gulf between purchasing power and real-estate prices has led to a slump in sales of newly constructed private property. A recent official survey estimated that there is about 50 million square meters of unsold "commodity housing" in China, representing a total investment of 50 billion yuan.

A visit to the Beijing Real Estate Transaction Market, a branch of the Housing Reform Office, confirmed that business is not exactly brisk. At 9:30 on a weekday morn-

China's urban residents have only 8 square meters of living space each.

ing, only two potential customers had appeared for advice and information about house purchases.

For the vast majority of China's urban citizens, buying their own work unit accommodation is the only feasible option. In Chengdu, the capital of Sichuan, work unit houses are being offered to tenants at extremely low prices, with certain conditions attached. One government cadre paid his employer 10,000 yuan for his apartment, but reckons its true value is perhaps seven times as much. If he chooses to sell the apartment in the short term, he must first offer it back to the work unit. But within a few years he will acquire full property rights.

Such deals sound almost too good to be true, and this year the State Economic Restructuring Committee has issued new regulations governing the sale of work unit accommodation. These declare that, in principle, such accommodation should be sold to tenants at the market price. Where the tenants' income makes the market price prohibitive, a "standard" price will apply, calculated according to the prospective purchaser's annual salary and the funds invested in the property by the work unit. According to Liu Zhifeng, vice minister of the State Commission for Restructuring the Economic System, the "standard" price will move. By 2002, it will have gradually risen to a point where the work unit can make a small profit from the transaction, he said.

To hasten this happy outcome, housing reform officials are promoting "collective funding" between the work unit, the state and the individual property buyer — a system first introduced in Shanghai in 1990. Under collective funding, when a work unit property is sold, the factory continues to

"invest" in the apartment by paying water, electricity and heating bill; the state's "investment" is represented by tax deductions; and over the years, the individual's "investment," in the form of loan repayments, is expected to increase proportionately.

Such measures beg the question of whether it is possible to regulate China's urban housing market, which increasingly resembles a jungle. In particular, China's leaders are faced with a huge mass migration from rural areas to the cities.

For the residents of Zhejiang village in Beijing, about five miles south of Tiananmen Square, housing reform is an issue of necessity, not theory. Zhejiang is a province in southeast China, and the village contains as many as 20,000 rural migrants from the region, who have arrived in Beijing during the last decade in search of work. A bustling clothing production and retail community has evolved.

The municipal government has claimed the district for the city's development program: in two to three years about a third of the villagers will be relocated to public housing in the outer suburbs.

Li Xuegang, who sells shirts in the clothes market, is one of the few villagers who is not worried by the municipal government's plans. He and his wife, together with their daughter, pay 300 yuan per month for a 15-square-meter room in a private house belonging to a Beijing resident; electricity and water are extra. Mr. Li, who arrived from Zhejiang four years ago, is confident that when the house is knocked down, he can find another room for his family.

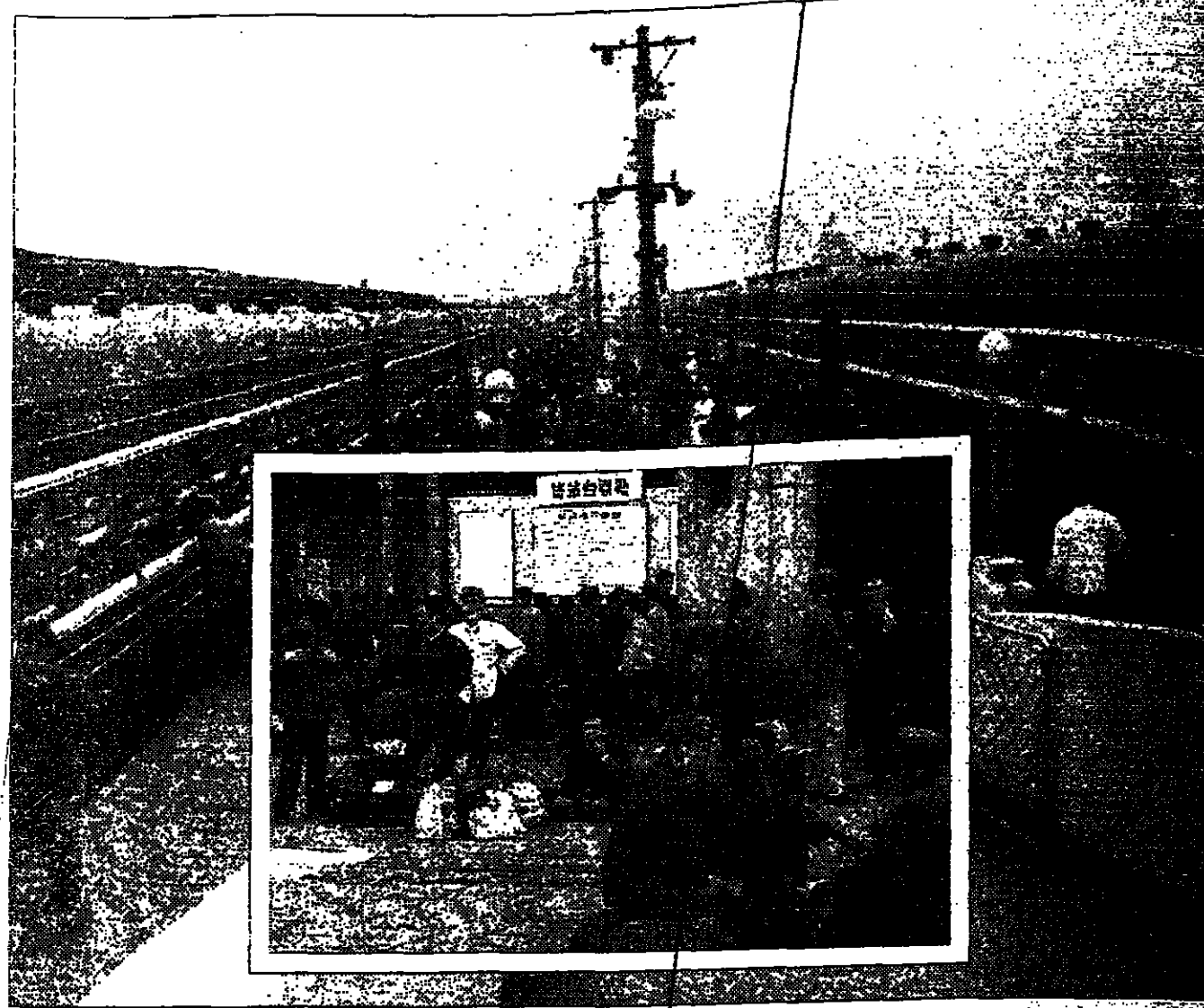
IT IS Mr. Li's landlord, a local park keeper, who is dismayed at the prospect of losing the family home. "The government has said that they will offer back the new house to him at a good price," Mr. Li says. "But my landlord is sure this won't be enough money to pay him back for the rent he's going to lose in the meantime."

Many other Beijing residents who rent rooms in their own houses, or secretly sublet rooms in apartments belonging to their work units, feel the same way. With living space at a premium, these unofficial landlords can make as much as 4,000 yuan per year.

Such conflicting interests between tenants and landlords are not new. They have existed since the founding of the People's Republic of China in 1949, and a cash-starved municipal government, for land, are a far cry from the straightforward problems confronted and solved in Galar Hutong.

Indeed, these real-life problems are so complex that four months into 1994, this year's guidelines for the housing reform program have yet to be issued. "The government should do more beneficial things for the people," Li Peng told the east of Galar Hutong with reference to the housing crisis. The question is how.

RICHARD TOMLINSON is a writer based in Beijing.



An estimated 50 to 60 million Chinese have flocked to the major urban areas in search of work.

Peasants in Search of Urban Prosperity

By Ted Plafker

BEIJING — Just off the train after a long trip from his home in the Chinese countryside, Ye Zhenfen, 27, is wondering whether he made the right move.

"I knew before I set out that there would be a lot of other people like me here, but I see now that finding a job might really be a problem," says the peasant from Anhui Province, one of China's poorest.

He has the names of a few people from his own village who came to Beijing last year and who, he hopes, will be able to help him get work and a place to stay. But standing with his meager belongings in hand outside the main railroad station, Mr. Ye has no idea how to go about finding them. Clearly, he will need some time to adjust to life in the big city.

Nobody knows just how many peasants have, like Mr. Ye, chosen to trade the known hardships of rural living for the uncertain promise of a better future in the city. Official estimates say that 50 to 60 million peasants have left their homes in search of greater pasture, and that at least half of these have settled in cities all over China.

Last year Beijing alone received 1.5 million rural workers, nearly a third of them from neighboring Hebei Province. The rest came from further afield — Shaanxi, Zhejiang, Anhui, Henan and Jiangsu are all well represented.

Some unofficial estimates claim that the nationwide figure for China's floating population could be as high as 100 million. By all accounts, the trend continues to grow, and could soon pose a threat to the nation's precarious social stability.

According to Liu Binyan, a Chinese intellectual now living in exile in the United States, a large peasant migration has, throughout Chinese history, been a sign of serious trouble.

"In our country that has always been an indication of the end of a dynasty," Mr. Liu says.

"This is not to say the current government is about to fall," he hastens to add, "but if it

reaches the point where its large floating population does not find work and does not have enough to eat, then there will be big problems."

So far the cities have been able to absorb the influx, making good use of the low-priced labor. With double-digit economic growth and an unprecedented building boom, construction jobs remain plentiful. Newly arrived peasants are also willing to take sanitation and manufacturing jobs that urban dwellers find unappealing.

But the central government has expressed fears that it is becoming too easy for migrants to run businesses without any regard for regulations or taxes. There is also concern that transients are managing to circumvent China's strict family planning apparatus, which seeks to limit couples to having only one child.

For their part, the cities appear to be approaching the saturation point, and there are signs that the welcome mat in some places is about to be withdrawn. Beijing residents are beginning to show frustration with ever-growing numbers of outsiders who are straining the city's supply of water and electricity, and crowding locals out of public transport. Authorities claim that rural job seekers now account for 70 percent of the ridership on Beijing's subway system.

There are also frequent complaints of an increase in petty crime. Beijing police report that transients were involved in 44 percent of all criminal cases reported last year, compared with 22 percent in 1990.

"Of course they steal," says one disgruntled Beijing shopkeeper.

"A lot of them live hand to mouth. If they find work in the daytime, they're fine, but if they don't they have to steal something at night just to get by," he complains.

Much farther south, just over the border from Hong Kong, is the city of Shenzhen, which, as the first and most successful of China's experimental special economic zones, has attracted more than its share of migrant workers. But with transients involved in 93 percent of crimes reported in Shenzhen last year, the city appears to have lost patience.

In April, Shenzhen's municipal authorities

announced the successful conclusion of an operation to "clean up" of outsiders dubbed the "three withouts" — those lacking identity documents, residency permits and legitimate employment. During the monthlong operation, authorities reportedly sent some 230,000 "three withouts" people back to where they came from.

But analysts contend that the difference in living standards between city and countryside is so great that the migrant labor tide will not easily be stemmed. Ever since the Communist Party came to power in China in 1949, city residents have been the privileged recipients of generous subsidies for housing, food, medical care and transportation.

Rural dwellers, meanwhile, have enjoyed little in the way of subsidies. Instead, they have had to shoulder heavy burdens in the form of taxes and arbitrary fees often demanded by corrupt local officials.

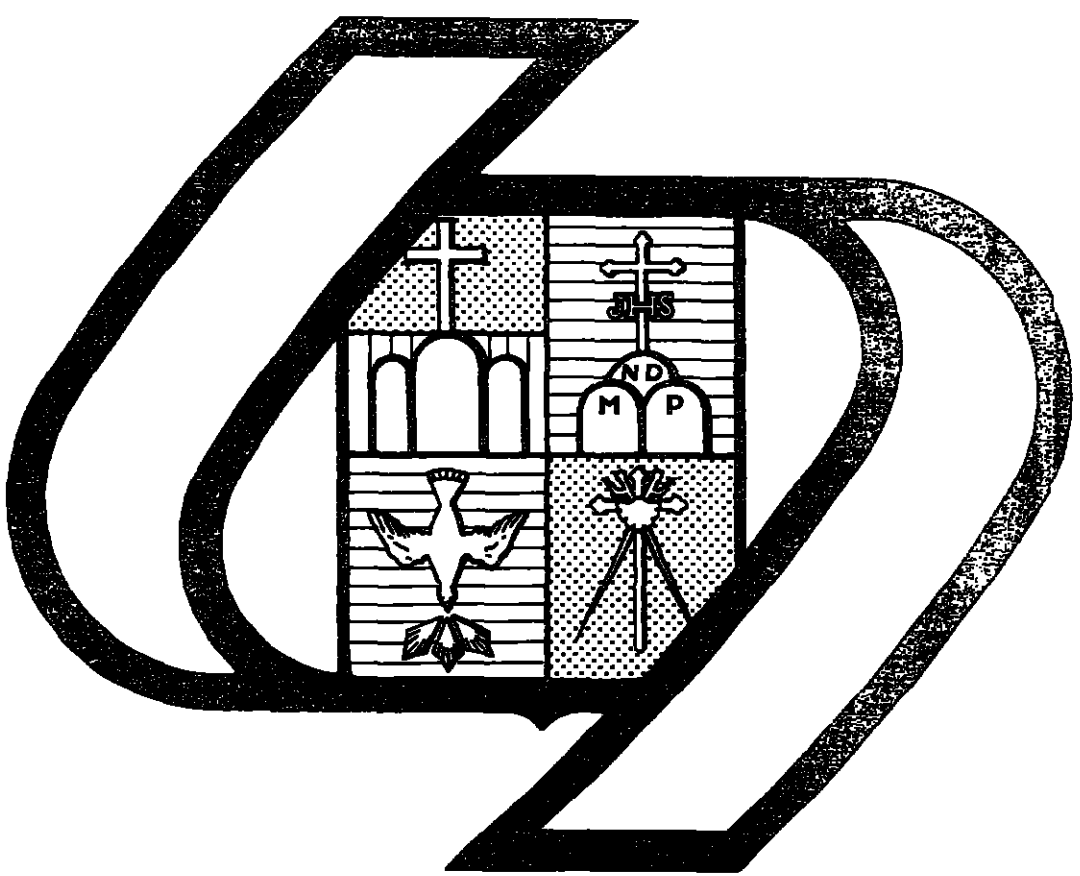
CHINA'S headlong rush toward a more market-oriented economy has brought foreign investment and rapid growth to the cities, making the existing disparity in rural and urban living standards even greater.

At the same time, greater privatization of economic activity has meant that people no longer need to depend on government-administered distribution of housing and food. Under the old "household registration" system, instituted in 1958, commodities were available mainly through outlets controlled by the government. Citizens could only receive their rations if they lived, with appropriate documentation, where the government told them to.

Although technically still in effect, the household registration system has been made obsolete by the easy access to other distribution channels. Reports in Chinese newspapers have hinted at plans to discourage migration to the largest cities by scrapping the household registration system entirely and allowing peasants to move freely to any of China's 323 smaller, county level cities.

TED PLAFKER is a writer based in Beijing.

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For Expatriate Rents, the Sky's the Limit

By Sherry Buchanan

KUNMING, China — The sun is very hot and dry even though it's late afternoon in Kunming, a booming city and capital of Yunnan, China's most southwestern province bordering Burma, Laos, and Vietnam.

With a railroad track connecting it to Hanoi, Kunming was once the city that supplied North Vietnam with arms during the Vietnam War and is still the main trading center for opium from the Golden Triangle. What has changed is that Kunming is now attracting foreign investors because of its petrochemical, manufacturing, tobacco and agricultural industries as well as year-round dry, sunny climate, fertile land, gastronomic delights, and city officials who want to turn the place into China's new Silicon Valley.

But like in many other prospering Chinese cities, the only place business people can live is in a hotel. Sixty engineers from Molins PLC, the company that supplied Yunnan Tobacco Co. with its machinery, for instance, have been housed in the King World Hotel for the last two years. The four-star hotel does boast a rooftop rotating restaurant, the largest Viennese chandelier in Asia and a white grand piano worthy of Liberace in its lobby, but still, it is not quite home.

"Kunming has 350 foreign joint ventures and the province as a whole had a \$1.26 billion trading volume last year but no office or residential accommodation exists to international standards for the growing numbers of executives coming to the city right now," says Ben Lee, a Hong Kong property developer whose FBC Construction Co. has just started building the first large residential, office and shopping complex in the center of Kunming, complete with a fitness center and videoconferencing facilities.

SIMILAR scenes can be found in Chinese cities that are attracting increasing numbers of foreign investors and where housing has not kept up with demand. At the top of the list is Shanghai, which last year had 130 applications from multinationals to set up operations, including Sony Corp. and McDonald's Corp.

Right now average rentals on the Green Valley Villas near the Shanghai airport are \$4,000 to \$5,000 a month. But some luxury rentals in Shanghai and Beijing can be even higher than Hong Kong's. A three-bedroom

apartment of 125 square meters (1,350 square feet) in the Portman Shangri-La in Shanghai, which houses the American Club and the American Consulate, rents for \$8,400 a month; a 100-square-meter two-bedroom apartment rents for \$6,300 a month. There is a "paid" waiting list of 52 people, which means you have to put one month down to get on the list. The luxury Landmark Kempinski in Beijing has no

A luxury housing complex in Beijing has a waiting list of 200 people for a total of 161 apartments.

apartments available either and has a waiting list of 200 people for a total of 161 apartments. A two-bedroom there rents for between \$6,364 a month (for 88 square meters) and \$8,010 (for 111.25 square meters) a month. That translates into \$72 a square meter a month, which is higher than the rental per square meter in one of Hong Kong's most prestigious blocks of flats, The Albany, where it is \$60.

With so little housing available and at such high prices, multinationals are moving faster than they have in any other new markets to staff their operations with Chinese nationals rather than with expatriates.

"In the No. 1 position there is more and more tendency to look for Chinese, be they from Hong Kong, Singapore or the U.S. But at the deputy level, more and more Chinese nationals are moving in as they gain management maturity," says Peter Tan, chairman of Korn Ferry International, the head-hunting firm, in Hong Kong.

In a few cities, there are new residential and office projects on the drawing board that will ease the drastic housing shortage next year. The biggest development plans are for Shanghai, where parts of the city look like Dresden after the World War II bombing, as whole streets are demolished to make way for an estimated 600 new projects. Even so, many real estate brokers in Hong Kong expect luxury housing to remain expensive.

"Rents will continue to rise at least in 1994 because the actual supply is limited. But starting in 1995-96, there will be a huge supply in Shanghai and rents should stabilize," says David Cheung, a director of property consultants Vigers Hong Kong Ltd. Mr. Cheung doesn't

expect that to last as he believes many U.S. multinationals and investment banks could then choose Shanghai over Singapore or Hong Kong to set up regional Asian headquarters, leading to supply shortages again. He guesses there will be only between 30 and 40 new projects in Beijing.

In addition, the Beijing central government has just restricted the sale of land to foreign developers in an effort to regulate supply, a move that is likely to further support high sale and rental prices of offices and apartments. U.S. corporations and investment banks are known to be applying pressure on Beijing to ease the housing situation.

For Chinese nationals, however, the housing situation can be very different. The local chief of a foreign investment bank in Shanghai only pays \$2 a month in rent for his apartment, which is subsidized by the government.

ALLIED Group, a large Hong Kong conglomerate, pays its five top mainland Chinese managers, who work mainly in the north of China, between \$800 and \$1,000 a month. According to a survey by the compensation consultant Wyatt Co. in Hong Kong, the average take-home pay for a senior Chinese manager working for a wholly owned foreign subsidiary was \$1,383 a month last year, or roughly one-tenth of the cost of the base salary of a senior expatriate manager.

But this situation may not last, and multinationals may soon find themselves having to foot the bill to house their Chinese managers too, as the government eases its way out of the benefits' business such as housing, retirement payments and medical care — what the Chinese call the "iron rice bowl."

"The cradle-to-grave notion has broken down and housing is a contentious issue. No foreign company knows what to do but they don't want to get into the business of being a landlord," says Paula De Lisle, director of compensation with Wyatt Co.

Salaries for Chinese managers are also increasing. According to the Wyatt's survey that covered foreign companies in Shenzhen, Beijing, Guangzhou and Shanghai, salaries paid to their Chinese staff increased 23.5 percent last year and pay is expected to go up 18.1 percent more this year.

SHERRY BUCHANAN is a writer based in Hong Kong.



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Air Safety: An Urgent Need for Reform

By John Kohut

BEIJING — In January of last year, Jiang Zhuping, the aviation commissioner, read China's accident-prone airlines the riot act. "The whole situation has reached a critical juncture," said Mr. Jiang, former head of the Civil Aviation Administration of China, after five crashes claimed 380 lives in 1992 — one-fifth of the world's airline fatalities that year. "If we crash one more aircraft, CAAC will have no credibility."

He ordered the country's unruly airlines to make 1993 the "year of safety."

It did not work. Since then, five more crashes have claimed 76 lives, and because of lax security, hijackers have had a field day, forcing 11 airlines since April last year to fly them to Taiwan — a major embarrassment for China's communist rulers and a propaganda windfall for the rival Chinese Nationalists who control that island state.

Flying in China has become so dangerous, the U.S. based International Airline Passenger Association recently said, that one might be safer on the streets of Sarajevo than on a Chinese plane. China has one fatal accident per 100,000 domestic flights, compared with a world average of one per 1.5 million flights.

Now, however, there are signs that the government and airlines are starting to take action seriously.

"I think they're going to get their act together," said Frederick Lee, the Beijing representative of the U.S. Federal Aviation Administration, which set up an office here this year to help the Chinese reach international aviation standards.

Up to now, to be a frequent flyer in China was to collect a portfolio of travel horror stories.

It is not just the simple, sometimes surreal annoyances — such as watching flight attendants dine on first-class dinners after serving

the front cabin economy-class box lunches.

Gross breaches of basic security are common, ranging from seats without belts, to planes taking off while passengers are still trying to find their places, to pilots being forced to fly as many as double the maximum hours permitted by law. One domestic airline based in the southern, anything-goes island province of Hainan even allowed unlicensed personnel to fly its planes.

The source of all this mayhem is an unprecedented boom in China's airline industry, resulting from rising affluence and double-digit economic growth. In the rush to make profits, safety and service have been sacrificed and officials constantly lambaste the country's increasingly autonomous airlines for being too greedy.

"I'm worried about the industry growing too quickly," said Xu Muzhi, managing director of the Shanghai-based China Eastern Airlines, one of the biggest of China's 39 carriers.

Last year, airline passenger and cargo volume in China grew by nearly 20 percent after 33 percent growth rate in 1992, and 28 percent in 1991.

Airlines in other countries would be only too pleased to see such demand, but in China, the pressure is clearly beyond the airlines' ability to cope. For instance, the demand has turned a surplus of pilots into a shortage. Some regional airlines have turned to the Russians for "wet leases," that is taking on Russian pilots and flight attendants along with the aircraft.

Even so, there are not enough pilots. To make up for the shortage, Chinese pilots have been flying as many as 200 hours or more a month, even though national regulations set a ceiling of 100 hours to prevent pilots from becoming overly fatigued and thus more prone to make mistakes, according to Mr. Xu.

The captain of a flight that crashed in Nanjing in August 1992, killing 104 people, had been flying more than 150 hours a month. "He was one of the best pilots, but he made a

mistake because, we think, he was too tired," said Mr. Xu.

This year China's government is putting \$30 million into safety facilities, including defensive stockades around airports and security inspection and fire prevention equipment.

Flight crews are reportedly being given anti-hijacking training while the authorities work out a new strategy to deal with the threat.

Several airports now have designated lines for security checks of passengers flying south-bound routes such as to Guangdong and Fujian provinces, the most vulnerable to hijacking attempts. Ground staff have been ordered to check all hand baggage compared with only a 20 percent rate of checks before. While it is difficult to ascertain whether all airports are complying, travelers note that security staff are regularly asking passengers to hand over knives and other instruments that might be used as weapons during the flight.

THE pilot shortage is likely to continue for some time, as it takes four years to train a pilot in China, but the country's only full-fledged aviation school, located in the southwestern province of Sichuan, is expanding its facilities in order to double its enrollment from the current 500 within a few years.

Meanwhile, special inspection groups have been granted the authority to downgrade or suspend unqualified pilots.

China is also planning to install half a dozen simulators this year. Up to now, it has had only a few simulators and has put what one analyst called excessive reliance on flying planes, which means that pilots do not get much practice in handling emergencies.

More pilots are being sent abroad for training. China Southern, which is seeking an overseas stock market listing, was acquired a stake in a pilot school in western Australia, where it



One of China Northwest's Airbus A310s; last year, China's air passenger and cargo volume grew by 20 percent.

hopes to train 100 pilots each year. This year Northwest Airlines of the United States began giving Chinese pilots working for five Chinese carriers certification courses to fly all types of aircraft.

Up until recently, the military has controlled all of China's air space, relegating civilian aircraft to narrow bands between cities. "It's like sending planes through a very narrow tube. When the weather is bad, you're stuck," said an analyst.

This year, however, the military gave CAAC control of air space on routes between Shenzhen bordering Hong Kong, Guangzhou and Beijing. Airline officials hope the military will

eventually pass over other air space to civilian control, which will not only widen flight bands but should also mean a higher frequency of take-offs (presently, flights are allowed to take off every 10 minutes, a much lower density than in Western countries) and cut some of the red tape in launching new routes.

In terms of service, China's airlines are generally rated near the bottom in international travel surveys. About a fifth of all domestic flights are delayed. Passengers are sometimes stranded in airports overnight without even drinking water. The airlines frequently neglect to give clear reasons for the delays, or simply lie about the causes.

But Chinese passengers are starting to fight back. Last January, 81 passengers on a China Northwest flight from Guangzhou to Beijing launched a lawsuit against the airline after the flight was cancelled because the pilot was too tired. The passengers demanded an apology, compensation for emotional distress and half the cost of the ticket. What's more, an official newspaper encouraged passengers to study the case so that they could learn to protect their lawful rights.

JOHN KOHUT is Beijing bureau chief for the South China Morning Post.

In Southwest China, Glimpses of Fading Naxhi Culture

By Richard Tomlinson

LIJIANG, China — In Lijiang's main market, Yang Wei Sheng, a poet, is on the prowl for Westerners with whom to practice his English.

Now in his seventies, Mr. Yang says he learned the language from Joseph Rock, the Austro-American botanist and explorer who lived in the town from 1922 to 1949. Mr. Yang explains that, in return, he taught Mr. Rock to speak the local Naxhi tongue — an honor shared, it seems, with several other senior citizens in the Lijiang area who also claim to have enjoyed Mr. Rock's friendship.

The Naxhi national minority to which Mr. Yang belongs numbers about 275,000 people, who regard the town of Lijiang as their capital. They live in the northwest corner of Yunnan Province, not far from China's border with Burma. Mr. Yang was one of many Naxhi who suffered during the Cultural Revolution in the 1960s, when Red Guards traveled through the mountains from the state capital of Kunming, 600 kilometers (370 miles) to the south, determined "to hold aloft the great banner of Mao

Zedong's thought" — which in Lijiang meant seeking to obliterate the local Naxhi culture.

A large statue of Mao still stands on the main road through Lijiang, but today his outstretched arm points passersby toward Peter's Café, where decadent gastronomic influences are rampant. "Peter" (or rather, his hard-working wife) serves an all-day breakfast of cereal, yogurt and scrambled eggs, as well as perhaps the best apple pie in southwest China.

After decades of relative isolation, Lijiang is gearing up for a Western tourist invasion. At the moment, Lijiang can only be reached by road, and the journey by bus takes two days, with an overnight stop in Dali. In October, the town's vice director of the Key Projects Office, Xie Huan, states confidently, the new airport will be opened, providing direct flights from Kunming for the first time since the '70s. The old airfield, which served as a base during World War II for General Claire Chennault's Flying Tigers, was closed after even the Chinese aviation authorities balked at the number of planes crashing on the dangerous approach through the mountains.

Today, the rugged mountains and the distant

ive Naxhi culture are Lijiang's principal attractions. A few miles north of the town looms the highest peak in the range, Jade Dragon Snow Mountain. Opinion differs about whether its 5,596-meter (18,360-foot) summit has ever been reached. The Chinese claim that a "research team" from Beijing got to the top in 1963. The Naxhi scorn this suggestion, taking pride in the fact that their mountain has defeated the Americans, the Japanese, and most recently, an expedition by the People's Liberation Army.

Joseph Rock was not the only foreigner to be drawn to these mountains. Over the decades, Lijiang has played host to a steady flow of overseas visitors. Peter Coullart, a White Russian émigré who worked in Lijiang during the 1940s as a trade envoy, wrote a memoir of his life among the Naxhi that he called "The Forgotten Kingdom." The writer Bruce Chatwin passed through Lijiang and the surrounding villages in the winter of 1986 when he met Dr. Ho, another Lijiang native who learned English from Mr. Rock.

But it is Mr. Rock himself, the object of Mr. Chatwin's inquiry, who left the most indelible impression on local people. He made his home

in old Lijiang, which despite occasional fires — the most recent in 1992 — remains the most complete traditional wooden town center in China. Along the cobbled streets and narrow canals, Mr. Rock would take his morning stroll, and in hot pursuit, so Mr. Yang recalls, would follow crowds of taunting schoolchildren, shouting "Laka! Laka!" (the Naxhi word for "rock"). Mr. Rock appears to have had little interest in assimilating the Naxhi customs he had come to study. At home, he ate off a gold dinner service. On his trips through the mountains, his Naxhi porters were required to carry a canvas bath purchased from Abercrombie & Fitch.

AFTER 25 years, Mr. Rock at last felt able to deliver the fruit of his research to the Harvard University Press: "The Ancient Naxhi Kingdom of South-west China," a two-volume work that is both massively authoritative and virtually unrepeatable. Mr. Rock's failings as a writer perhaps explain why misconceptions about Naxhi society persist. The Naxhi, an officially approved Chinese travelogue, states, "have been known throughout the world because of their unique matrilineal system."

Older Naxhi women, conspicuous in their traditional blue blouses, peaked caps and capes, certainly play a prominent role in the local economy. To put it another way, they seem to do most of the hard work. On a hot afternoon in the village of Baisha, a few miles north of Lijiang, the men were playing mah-jongg in the shade of the local temple. Out in the fields, the women were tending to the wheat crop. It is the women, too, who carry the fruit and vegetables to Lijiang market, using huge wicker baskets strapped to their backs. As "matrilineal," they endure a surprising amount of servitude.

While the women toil, some older men are anxious about the survival of Naxhi culture. In the old town, Xuan Ke and his band of Lijiang gentlemen (leavened, it has to be said, by a few girls from the local music college) regularly perform a recital of traditional Naxhi music. Mr. Xuan assures his audience of Japanese and Western tourists that this is the last vestige of traditional Naxhi temple music. The instruments — a combination of gongs, bells, tubes and drums — are suitably ancient, and for an hour the players bang, pluck and chime their way through "Song of the Water Dragon," "The Clean Stream and the Old Man," and other classics of the Naxhi repertoire.



Snow Dragon Jade Mountain, the 18,300-foot peak just north of Lijiang.

A mile away in the Black Dragon Pool Park lies another bastion of Naxhi culture, the Dongba Research Institute, opened 10 years ago when Beijing adopted a more accommodation policy toward minorities. Dongba Fetishism, once the Naxhi village religion, is now practiced by only a few old people in the mountains around Lijiang. The scriptures were written in complex pictograms, and at the institute three elderly scholars, also known as dongbas, devote their last years to translating more than 900 volumes into Chinese. Time is short: the dongbas will soon join their ancestral spirits in the dongba afterworld, and no money exists to train a new generation of sages.

In any case, it is not clear whether the next generation of Naxhis regard the effort as a priority. These days, few of the younger Naxhi women bother to wear the traditional blue costume. A 24-year old government cadre explains that "it's too heavy. I wouldn't wear it even for my wedding."

Yet there persists an acute sense of being different from the Han Chinese, who live in the new half of Lijiang, and whose parents and grandparents, in general, brought only death and taxes to the Naxhi people.

Now, for the first time in living memory, the Naxhi have friends in high places. The governor of Yunnan Province, He Zhiqiang, is a Naxhi from Lijiang. But other memories die hard. At the temple in Baisha, the dongba wall frescoes bear the scars of the day the Red Guards came to the village. In a fit of revolutionary ardor, the guards gouged out the eyes of the dongba figures, and defaced the paintings with frenzied scratch marks. The charm of the ancient kingdom Joseph Rock explored is still palpable; so too is the terror visited on the Naxhi by the communists a generation ago.

The Push to Attract (Wealthier) Tourists

By Conrad de Aenlle

AS TRAVEL to and around China continues to rise at a strong pace, tourist facilities are being added and improved to handle the flow, and to try to draw a wealthier class of foreign visitors.

China last year welcomed a record number of foreigners, 41.5 million, an increase of 8.9 percent from 1992, according to the state Tourism Ministry. Revenues from tourism went up at a faster clip, rising 18.3 percent to \$4.7 billion.

One problem authorities face is that despite the relatively greater expenditure, the absolute amount that the average tourist parts with is quite small, not much more than \$110. That reflects the overwhelming number of guests making short trips from the neighboring locales of Hong Kong, Macao and Taiwan, that are included in the traffic statistics.

Harsh Varma, an Asia specialist for the World Tourism Organization in Madrid, estimates that no more than 15 percent of travelers to China are "genuine tourists" from abroad. And many of those, he said, are from the former Soviet states and Mongolia — not big spenders. These make up two of China's five biggest foreign tourist markets; the others are Japan, the United States and Singapore.

To lure more and richer foreign tourists, a number of ventures have been launched to add hotels and other facilities.

"China is attracting heavy investment in tourism-related projects," Mr. Varma said. "You'll find most of the international hotel chains making heavy investments. They aim to double their capacity by 2000."

An affiliate of the French hotelier Accor SA, for example, signed an agreement in January with the State Planning Commission to open 50 hotels in the next three years, mainly by fixing up existing ones. The company plans to set up a fund of \$150 million to \$200 million to finance the work. Once the hotels are ready to open, Accor will manage them.

One of the government's goals is to spread tourism away from Beijing and Shanghai, which remain the two biggest destinations.

"There are a number of infrastructure development projects coming up as China takes an interest in opening up other areas," Mr. Varma

said. "We think China will be in a position to diversify tourism in the next five years. There has been a very strong element of over-reliance on traditional products, but they are realizing that it will reach the saturation point." Among the projects under way are ski resorts in the north and beach resorts in the south, he said.

The China National Tourist Office is trying to introduce foreigners to more of China through annual travel themes: mountains and rivers in 1993, cultural and historical artifacts this year, customs and folklore next year and leisure activities in 1996.

The effort seems to be working: "First-timers will go to the major cities, but there are a lot of repeat travelers who go to the new tier two destinations," said Simpson Choi, who handles international business development for American Express Co. and served as its general manager for China.

THESE include Dunhuang, a city on the old Silk Road to Europe; the Hunan province city of Kuming; Hainan Island, promoted as the "Hawaii of the East," and the Yangtze River, where cruises have become popular.

These spots are being visited by ever more Chinese citizens as well, who are taking advantage of the country's new-found prosperity.

"As the national economy has been booming, so has the number of tourists around the country," said Xu Jing, who follows Chinese internal travel for the WTO. Domestic travel "is on an up trend and has been growing rather rapidly."

"Maybe in the recent past, the government didn't pay enough attention to this sector," Mr. Xu added. "The national tourism administration was working more toward international tourism, but I think this is more beneficial for regional development, in the sense of diversification of economic development and the spreading of benefits toward areas that wouldn't otherwise benefit from tourism."

He said that in the past the facilities used by Chinese travelers tended to be basic, at best. Now, however, they are staying in better hotels — "three-star-type places" — and indeed the difference between the sorts of hotels that locals and foreigners stay in has shrunk considerably.

Domestic travel may be a boon to local economies, but attracting foreign visitors, and the hard currency they bring with them, re-

mains the principal goal of tourism officials.

Mr. Varma said he expected growth in true foreign tourism to China to rise by 10 percent to 12 percent a year between 1995 and 2000. If such a healthy rate is achieved, it will be in spite of a number of well-publicized recent mishaps that have raised questions about the safety of Chinese transportation.

The Taiwanese government suspended tours to China after an arson fire on a pleasure boat on a Chinese lake that killed 24 Taiwanese tourists in March. The ban was lifted about a week ago. More than 1.5 million Taiwanese spent close to \$600 million in China in 1993.

After suffering the worst year in Chinese civil aviation history in 1992, when five plane crashes killed more than 380 people, last year was declared the "year of safety" for the country's airlines. It did not live up to its billing, however, as three crashes took 73 lives. There were nine hijackings as well.

Mr. Xu noted that the rapid growth in air service — the passenger load grew by 20 percent last year — had prompted China to decentralize airline operations. A likely result, he said, is that "the quality of service and safety will improve."

Mr. Varma said he expected the effect of the plane crashes to be fleeting. "When these things happen, they make headlines for one or two weeks and fade away very fast. These factors will not have a long-term effect."

WHAT may have a more lingering influence is the tussle with the West over human rights. "This factor is more political in nature and has a more lasting effect," he said. "You'll find a lot of people who otherwise would visit China, including tour groups, are not visiting. They're saying, 'No, we'll wait' until it improves."

The wait may not last long. "Americans have a very short memory," Mr. Choi of American Express said. Referring to the massacre of pro-democracy demonstrators near Tiananmen Square, he said that "in 1989 a lot of people refrained from going to China, but after nine months or a year they started to take tours again."

CONRAD DE AENLLE is a writer in Paris who specializes in economic and financial topics.



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China/A Special Report

Propaganda Loses To Commercialism As TV Comes of Age

By Catherine Sampson

BEIJING — A young woman smiles coyly, posing beneath the branches of a tree in blossom, and tells millions of viewers what she is looking for in a man. Her requirements for Mr. Right — that he is kind and has a sense of humor — are not as surprising as the fact that such a frivolous program as the match-making "Tonight We Meet" appears at all on Chinese television.

Traditionally, news of bumper harvests and revolutionary operas have filled the nation's television screens. Never mind whether viewers liked to watch or not, the authorities saw television primarily as a propaganda tool.

Happy peasants and odes to Chairman Mao still play a part, but as China's economy has become increasingly market-oriented, the government has told the media to be more self-sufficient financially. Now audience satisfaction matters because advertising revenue matters.

In April, Tan Xiong, the manager of China Central Television's advertising department, said that advertising nationwide had increased 94 percent in 1993 over 1992 and that in 1994 it would again increase by between 50 and 60 percent. There are 13 television sets for every hundred Chinese, which makes it an excellent vehicle for advertising.

To draw audiences, radio stations have started to broadcast live chat shows; tabloids have taken to digging for gossip, and television viewers can at long last choose a diet of soap operas, match-making and consumer programs punctuated by advertising breaks.

Indeed, sometimes it is hard to see where the advertising ends and the programming begins. Couch potatoes can relax two evenings a week in front of "TV Shopping."

Without ever having to leave their homes, viewers are taken on a tour of a store. The camera lingers lovingly on a sweater or a TV set as a shop employee recites a sales spiel. If the viewer is tempted, he or she can simply dial the number shown on the screen, and the item will be delivered to the door.

Although television stations are still state-controlled, they buy some of their programming from independent and semi-independ-

ent producers. That means a television station can buy a series for tens of thousands of yuan and turn it into a profit of hundreds of thousands of yuan by selling advertising.

Some producers have tried to get in on the act by incorporating "soft advertising" within their programs. This practice, however, is not popular with audiences. Viewers have complained particularly about the drama series "Capital Jottings" — the set of which is liberally dotted with billboards. Producers have defended themselves by saying that they do not receive subsidies from the state, and that the sale of a series to a television station alone does not cover the cost of production.

Even if producers complain that they are not being paid enough, TV stations are in fact paying more than ever before for good programs. That is partly because there are so many bad programs around. According to China Central Television statistics, about a third of all the television dramas made cannot be broadcast because they are of such poor quality. Viewers say that even some of those that are broadcast would have been better left on the cutting room floor.

In 1992, however, China Central Television spent the unprecedented sum of 3.5 million yuan (more than \$400,000) to buy "I Love You, Definitely," a soap opera about a love triangle, written by the popular young novelist and scriptwriter Wang Shuo. Mr. Wang has perhaps done more to revitalize Chinese TV drama than any other person. He has now set up a production company called "Sweet Dreams" with a fellow scriptwriter, Feng Xiaogang. Mr. Wang's formula for a winning series is that "it should not be too long — just 10 or 20 episodes. It must be funny, it must seize the attention, and scripts must not be written by committee."

Another series now in production, called "Shanghai People in Tokyo," about the struggles of Chinese students living in Japan, will cost \$1.2 million to make, because it will be filmed largely in Tokyo. Such a large investment can be justified because stories about the interaction of Chinese and foreigners are, without fail, hugely successful. A 40-part series, "Foreigners in China," is due to be shown later this year as is the 20-



A takeoff on the U.S. game show "Wheel of Fortune" on Shanghai television.

part "Foreign Girls in Beijing," which was produced by an advertising company.

One of the biggest hits of last year was the drama series "Beijing People in New York." It had all the right ingredients — love, crime, death, handsome actors and good-looking skyscrapers — as well as a look at the outside world that for most people remains a dream.

Even today, however, the government has a far from hands-off attitude to television entertainment. Hard-line Maoists hate the fact that Wang Shuo's novels are serialized on television. They regard him as a "hooligan" and accuse him of writing "about riffraff." In the words of the official China Daily, his characters "cheat, swindle, drink and smoke heavily, eat and gamble with abandon." These are not traditional socialist heroes.

"Beijing People in New York" got it just right by impressing the authorities with its political correctness. Its producers held a conference with the Ministry of Culture last October to discuss the series' success. It was good propaganda, they decided, because of its patriotic message.

Propaganda still dominates the news and the few documentary programs that are aired.

Producers have tried to introduce Western-style discussion programs, but with pathetic results since there cannot be any free flow of debate. What should be spontaneous discussion becomes a

series of stilted, prepared statements. If a speaker says something he should not have said, his words are simply voiced over with the correct political line when the program is aired, so that he mouths one thing and says another.

Sex, too, is still taboo. When the Jilin Cultural Bureau made a 40-episode series out of the erotic classic "The Golden Lotus" last year, it was banned. In two separate incidents in recent months, two provincial television stations briefly aired pornographic films by mistake. Those responsible were immediately arrested.

Other taboos have gone, however. For big spenders, including the growing number of investors in the stock markets, Beijing and Shanghai television stations have started broadcasting Dow Jones global financial information. Once, such broadcasting would have been condemned out of hand as capitalist filth. Similarly, U.S. and British drama series and soap operas would have been pronounced politically unhealthy. Today, dubbed foreign drama series are shaping the way the Chinese see the outside world.

Music Television, with its politically dubious lyrics and hair-raising videos, is popular among the young who are bored with the kitschy cabarets and ballroom dancing classes they usually get on television. Those who have a satellite dish can already watch MTV on the Star TV network. In theory, it is illegal to own a

satellite dish unless you have been given official permission. In fact, thousands of people all over China bought satellite dishes before the ban came into effect last year, and they have carried on watching with impunity.

This eagerness to buy a satellite dish — at the cost of several months' wages — is another reflection of the low quality of much Chinese TV programming. All alternatives to the standard fare are cheerfully lapped up by a public starved for good quality entertainment. Entrepreneurial television executives have started cashing in by introducing pay television and cable stations. So far, although they are in their infancy, they seem popular. In one of China's poorest provinces, Anhui, viewers can pay extra to see one soap opera and one film every evening. In Beijing, cable television has 1.7 million viewers, although there is a 3,000 yuan (about \$340) registration fee and then a further 7 yuan monthly charge.

In Guangzhou, one of China's most free-wheeling cities, MTV will be featured on the cable network. It is perhaps no wonder that political hard-liners regard MTV with its bourgeois liberal values as nothing less than enemy propaganda. They would not be the first to reflect that the devil has all the best tunes.

CATHERINE SAMPSON is a journalist based in Beijing.

A Crackdown on Filmmakers In Surprise Move, Ministry Issues Blacklist

By Fionnuala Halligan

BEIJING — In the past, China's central government has dithered over how to deal with ideologically wayward filmmakers. Oscar-nominated directors Zhang Yimou ("Judou," "Raise the Red Lantern") and Chen Kaige ("Farewell My Concubine") have had their movies banned at home because they refused to cut "offensive" scenes. But over time, the sanctions have been lifted.

This is no longer the case. Last month, the Ministry of Film, Television and Culture cracked down with a vengeance. A directive was sent out to all of China's 16 official studios, film processing labs and even equipment rental companies, banning any contact with six named directors and a filmmaking collective.

While Mr. Zhang and Mr. Chen have narrowly escaped the blacklist, the leading lights of the so-called "Sixth Generation" of Chinese filmmakers have effectively been wiped out in one fell swoop.

Tian Zhuangzhuang ("Horse Thief," "The Blue Kite"), Zhuang Yan ("Beijing Bastards"), Zhuang's wife Ning Dai (who has only made one film, a documentary on the making of "Beijing Bastards"), Wang Xiaoshui ("The Days"), He Jianjun, Wu Wenguang and the experimental group "Structure, Wave, Youth and Film," learned of their ban in the newspapers.

"It's outrageous," said a shocked Zhang Yuan. "It's like telling me I can't eat or sleep. Film is my life, what can I do if I can't make movies?"

In a move some saw as a protest, Zhang Yimou declined to attend the Cannes film festival this month, where the star of his film "Huoze" (To Live), Ge You, won the best actor award. And Yin Li, who had hoped to show his "Story of Xinghua" in Cannes, was denied an exit visa.

The ministry didn't just take aim at directors. It has also thrown the country's entire film industry into turmoil by demanding that every movie — even Western co-productions — be processed and censored in China before being allowed out. This comes on top of existing rules, which stipulate that all scripts must be approved before shooting starts. Furthermore, all movie-making joint ventures are now officially banned, and international co-productions have been limited to 25 a year.

These are draconian measures designed to reestablish control over a sprawling film industry. In an official explanation printed in the "Beijing Youth News," the director of the ministry's film department, Yan Xiaoming, pointed to his delegation's embarrassment at the Rotterdam Film Festival in February as the reason for the measures, but in fact the roots go deeper.

When Zhang Yimou's "Judou," a period romance set in a rural dyeing factory, was nominated for an Oscar in 1989, China attempted to have the film withdrawn. Cultural mandarins believed it depicted Chinese as a race of "bandits and villains." The film stayed in competition, but did not win, and the rules were subsequently bent to have Chinese films entered as Hong Kong productions. However, the trouble had begun.

It came to a head last October at the Tokyo Film Festival when the Chinese delegation withdrew in

anger after organizers went ahead with screenings of "The Blue Kite" and "Beijing Bastards." The fracas was repeated in Rotterdam and again at the Hong Kong Film Festival in April. Both films had not been submitted for approval by the Chinese censors and were made outside the legal parameters for filmmaking on the mainland, which stipulate the use of one of the 16 official film studios.

Moreover, the authorities hated Zhang Yuan's depiction of urban youth as drunken, hedonistic and foul-mouthed hooligans in "Beijing Bastards." Mr. Zhang hotly disputed allegations of political bias in the banned directors' films. "There is nothing in our work that anyone should be afraid of. Our films are works of art, they are in no way anti-government," he said. "It makes me very uncomfortable to have our films labeled as in some way political. I want to make it clear that I am not a politician. I am an artist with a social responsibility."

Hong Kong-based Shu Kei, who produced "Beijing Bastards" and "The Days," said: "The authorities have embarked on a self-contradictory policy. They want to be economically open, but politically controlled. They think the two can be separated. They will learn the lessons themselves, the hard way."

Symptomatic of this schizophrenia is the recently announced SMILE deal between United Cinemas International and South Malaysia Industries to invest \$60 million in developing China's theatrical distribution. The group will be opening multiplexes in 10 cities over 18 months and is working with Shanghai Paradise to distribute foreign and domestic movies in the theaters.

"This is ridiculous," said Shu Kei. "What do the authorities think they're going to be showing in these cinemas? 'The Sound of Music'?"

As the ax falls on the "Sixth Generation" of filmmakers, all eyes turn to the "Fifth Generation" — Zhang Yimou, Chen Kaige and their colleagues, who came to film late in life due to the Cultural Revolution, which dominates their work. Mr. Zhang's "To Live" premiered at Cannes to official rumbles. Controversial in that it deals with the Great Leap Forward and the Cultural Revolution, although never on a political level, "To Live" was made by Taiwan's ERA films (with the budget funneled through a Hong Kong subsidiary).

"We're making films by the rules," said Barbara Robinson, vice president of ERA. "Zhang Yimou is not on the list yet." She refused to comment on the fact that the censorship board had demanded cuts to the film.

In the meantime, the outlawed directors are left to ponder their shattered careers in China. Zhang Yuan and his colleagues are in an impossible situation. He can't make films in China and has no interest in going overseas.

"China is my life, there are still a lot of things I want to make films about here. I don't have the experience to make films abroad," he said. While he acknowledges he could possibly make underground movies, Mr. Zhang said: "I don't want to start a war. As I started before, I'm not a politician, and once film starts becoming political then I lose all interest."

FIONNUALA HALLIGAN is a journalist based in Hong Kong, specializing in film.

'Ma's Army' Keeps Track World on Toes

By Ian Thomsen

THE competing world of track and field regards the Chinese women no differently than the Floridian who heads every tropical storm. The international sightings of the Chinese, though rare, have effected in their opponents a sense of doom — a fear that China is forming an army unseen in athletics since the collapse of East European communism.

Chinese women distance runners won six of the nine medals last August at the World Championships in Stuttgart, including victories in the 1,500, 3,000, and 10,000 meters. Yet that haul — as well as the incredible spate of world records set the following month at the Chinese National Games in Beijing — was the work of one team of 18 athletes representing the Liaoning Province, 1,200 miles (1,945 kilometers) northeast of Beijing.

Their 49-year-old coach, Ma Junren, is known to make his athletes run unheard-of distances. Ma does not coach men. Some of his women may run a minimum of 24 kilometers daily (an enormous 15 miles), while China's greatest champion, 20-year-old Wang Junxia, averages 42 kilometers — 30 in the morning, 12 in the afternoon. That is the equivalent of a marathon each day. The distances are measured by the odometer on the rickety motorcycle driven by Mr. Ma as he shouts orders from behind. In the southern Yunnan Province, one of their three mountain training sites in China, "Ma's Family Army" must concentrate in order to avoid the smoke-belching trucks and the oxen-drawn carts of the peasants on their way to work.

Their outrageous successes call to mind the works of the Canadian sprinter, Ben Johnson, and the former East German athletes whose accomplishments were discredited after they admitted to drug use. Last September in Beijing, the Chinese women obliterated world records in the 1,500, 3,000, and 10,000 meters. For the first time, five women broke the world record in the same race.

More cynicism was created by their group decision to withdraw from the London Marathon in April, with vague claims of injuries. In March, China sent a "B" level team to the World Cross Country Championships in Budapest, arousing more suspicion. "We were expecting them to send better athletes here," said a representative from one of the top cross-country teams. "What that tells us is that they're probably on something."

Illegal drugs, such as steroids, allow athletes to train harder and build up more strength than opponents who train without drugs. Properly cycled, an athlete could stop using the drugs in time for all



Wang Junxia, winner at World Championships.

traces to be flushed from her system. She would pass the drug test in competition while benefiting from the higher level of training. The argument goes that if Mr. Ma's athletes have indeed broken down and fallen behind in their training, they could not afford to stop taking the drugs now. They would need to keep using them to achieve their peak condition for the outdoor Grand Prix season, in which they intend to win prize money to fund Mr. Ma's training center.

The drug inspectors of the International Amateur Athletic Federation have a permanent visa to China, which, according to the IAAF, allows them to make surprise tests of Mr. Ma's athletes. Of 30 tests prior to the World Championships, a high ratio of three were positive — involving a 400-meter hurdler, a discus-thrower and a javelin thrower — but Ma's Army was clean.

"We have a saying in China that if you have not done anything bad, you have no need to fear anybody knocking on your door," said Wang Junxia, who holds world records in the 3,000 and 10,000 meters and has run the second-fastest 1,500 meters ever. "We are all human beings and were very hurt by the rumors saying we had been doped."

He always maintained the attitude, during those days of suspicion and assumptions about ath-

letes' use of drugs in Eastern Europe, that we must not accuse people of something for which we have no proof," said Dr. Arne Ljungqvist, chairman of the IAAF medical committee and doping commission. "It's the same thing with China. I would rather explain the Chinese appearance on the scene as very expected because, after all, they have a population of over one billion, which is an enormous number of people for recruitment — way beyond the U.S.A., Canada and Europe put together."

If not with drugs, then how are Mr. Ma's athletes able to not only survive, but profit from, their unprecedented levels of training?

His secret, claims Mr. Ma, is not drugs, but nutrition that provides more oxygen to the blood and enables the body to recover from training. The method is unfathomable. At first, Mr. Ma claimed to feed his athletes a potion of worms and caterpillar fungus. Last fall, he told Ian Macleod of the Daily Telegraph that the potion was a joke, but this was followed by reports of Mr. Ma selling the recipe for upwards of \$1 million.

Mr. Ma is said to rise at 4 A.M. to make a special broth for his army. They eat eggs, but only red-dish-brown eggs. Each day he decapitates two turtles and feeds the blood to his women. Mr. Macleod watched as Ms. Wang drank her

daily 30 milliliters (about 1 ounce) from a metal bowl. In the meantime, Mr. Ma smokes 40 cigarettes a day while ignoring his own throat and stomach troubles.

He recruits his athletes from poor families. They wear their hair short — better for the skin, he says — and they do what he says. Last year they were reports of him banishing an athlete for refusing to cut her hair and give up her boyfriend.

Ms. Wang's only brother died in a car accident last July, but Mr. Ma held the news from her for two months, until she had completed the National Games. "I thought it was the right thing," she said of Mr. Ma's decision.

A former Red Army guard, Mr. Ma has been studying coaching methods from all over the world for 25 years. He has analyzed the gait of the deer and emu; he has decided that the old theories of running no longer apply. Athletes should not rest after competition, he says. His athletes prove this, continuing to run in place after victories while their Western opponents lie in various states of collapse near the finish line.

It is difficult to judge whether the meteoric success is a matter of China's harnessing its resources, or simply a factor of Mr. Ma. After China seemed to disappear from international athletics in the 1960s and '70s, its sports system was revived by decentralization. To the outside world, Mr. Ma is the coach of China. Within China, however, he is the coach of Liaoning Province — which is why, he says, his athletes saved their best performances for the Chinese Games, instead of the World Championships.

One would imagine Ma's Army has been upgraded to royalty since last summer. Not so, he says. So great are the provincial rivalries within China, says Mr. Ma, that his team must often do without — and that includes properly fitting shoes, resulting in a sore right toe for Ms. Wang last fall. The women must wash their own clothes and dishes. He says they often cannot afford to fly to Beijing, settling for a three-day ride by train instead. And the rising cost of turtles is killing him.

Ma's Army is expected to return for the lucrative Grand Prix meets this summer to fund their training center. In the likes of Wang Junxia and 16-year-old Wang Yuan, he is hoping to create an athlete capable of dominating every event from 800 meters to the marathon. Are his demands too great? Have his athletes begun to break down already? Or was last summer the beginning of a system more dominant than the Soviets ever dreamed of? The next months will help decide.

IAN THOMSEN is on the staff of the International Herald Tribune.

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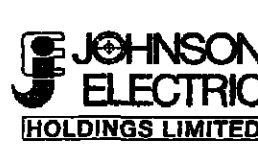
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CAPITAL MARKETS

Stranded Bond Markets: Japanese to the Rescue?

By Carl Gewirtz
International Herald Tribune

PARIS—The gloom engulfing bond markets since early this year is deepening into despair. With one exception, world bond markets suffered another stunning setback last week. The sickening aspect of the relapse is the fear that liquidity—the fountainhead of any market's vitality—is evaporating. "Investors are on strike," said Andres Drobny at CS First Boston in London. "Capital flows are drying up."

Jim O'Neill at Swiss Bank Corp. in London concurred, but said he believed it was "part of an ongoing process that market conditions have changed." He added, "It's not permanent, and it's not necessarily dangerous."

Mr. Drobny disagreed. In his view there is a race under way to determine whether confidence is restored and investors return to buying bonds before long-term interest rates are driven so high that they choke recovery in Europe and undermine equity markets in Europe and North America.

"The only bond market out of the loop is Japan," he said. There is ample liquidity there, he added, and "the key is to get capital flows moving out of Japan."

But there is little hope that will happen soon. The United States and Japan revived their long-stalled trade talks last week, with Washington abandoning numerical targets as part of its demand for "objective criteria" to measure Japan's progress in opening its domestic market to imports. The agreement was expected to reassure Japanese investors that Washington would not be looking to settle its trade dispute via a revaluation of the yen.

For the foreign exchange market, the agreement was a nonevent. The dollar ended trading last week at 104.275 yen, barely changed from the previous week's 104.150.

For Richard Koo, Tokyo-based analyst at Nomura Research Institute, "softening of the U.S. stance is not going to relieve the fears of Japanese investors." He added, "They are looking for something solid."

Mr. Koo said he believed that Japanese investors, who have suffered enormous foreign exchange losses on overseas investments due to the appreciation of the yen, "require lots more than the U.S. is demanding" to be convinced that the yen has peaked in value.

Fear about exchange-rate volatility has kept Japanese investors at home even though long-term interest rates are the lowest in the world. The yield on 10-year Japanese government bonds fell one basis point last week to 3.8 percent on an annualized basis.

By contrast, 10-year government yields rose 31 basis points in Germany, 35 in the Netherlands, 38 in France, 47 in Denmark and 60 in Britain.

At 6.81 percent, the yield on German government bonds is 301 basis points above the level in Japan. In the U.S. market, the

See BONDS, Page 21

Opel Seeks Order for Arrest of VW's López

Compiled by Our Staff From Dispatches

FRANKFURT—Adam Opel AG, the German unit of General Motors, is in an increasingly bitter dispute over alleged industrial espionage, demanded Sunday that Volkswagen's production chief be put under arrest.

A spokesman said Opel was concerned that Mr. López might abscond. "There is a growing danger of flight," he said.

Prosecutors are investigating GM's charge that Mr. López and three other executives took confidential information with them when they left GM to join Volkswagen 14 months ago. Mr. López has steadfastly denied this.

Volkswagen, which has also persistently denied the charges, retorted in a statement that an independent inquiry last year had shown clearly that no secret Opel documents had reached VW or were used by VW.

"Representatives of Opel interests are again trying to influence public opinion with insubstantial accusations," a Volkswagen spokesman said. "False reports or one-sided speculation about alleged arrest warrants are unfortunately nothing new. That has happened repeatedly in the past and then it was always just a rumor which evaporated into thin air."

A report to be published in the next issue of the German news-magazine Focus said prosecutors had found Opel secrets on computer discs confiscated from the offices and residences of several VW executives last year.

The report said prosecutors had managed to retrieve secret Opel data that had been deleted from computer discs confiscated last year from Volkswagen.

The deleted data comprised cost calculations, model plans and contracts with suppliers of Opel, the report said.

The Opel spokesman noted that one of those under suspicion, Jorge Álvarez Aguirre, was transferred this month from VW headquarters in Wolfsburg to a post at VW's Spanish subsidiary, SEAT. The spokesman said Mr. López also could be transferred to Spain.

He said Spain was not required to extradite Spanish citizens. Both Mr. López and Mr. Álvarez are Spanish. The VW spokesman retorted, "Mr. López is a group management board member. Why should he go to SEAT?"

(Reuters, Bloomberg)

Appeals Made For Executive Of Schneider

BRUSSELS—The chairman of the French electrical giant Schneider SA spent his third day in a Brussels prison Sunday amid a flurry of diplomatic and business pressure from Paris for his release.

Belgian media said Prime Minister Jean-Luc Dehaene of France telephoned Prime Minister Jean-Luc Dehaene of Belgium over the weekend to discuss the case of Didier Pincus-Valencienne, who was arrested Friday in Brussels on charges of fraud and swindling.

Mr. Dehaene's spokeswoman, however, refused to confirm whether Mr. Balladur had called the Belgian prime minister.

Forty French business and political leaders, including 13 members of the Schneider board of directors, took out a full-page advertisement Sunday in the French newspaper Le Journal du Dimanche in which they hailed Mr. Pincus-Valencienne for his "moral rigor, ethics and competence."

Under Belgian law, Mr. Pincus-Valencienne must remain in prison until a judge decides whether the charges should be confirmed. He is to appear in court Wednesday.

Mr. Pincus-Valencienne went to Brussels on Thursday for a hearing he had requested with the judicial authorities, who are leading a criminal investigation on the basis of a complaint by minority shareholders.

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Germany's EU Burden Kohl and Rival Agree: Bonn Overpays

By Brandon Mitchener and Tom Buerkle
International Herald Tribune

Determined to discredit one another in a rancorous struggle for control of Europe's most powerful country, Helmut Kohl and Rudolf Scharping have rarely agreed on anything of late.

It was therefore noteworthy last week when both the German chancellor and his main rival ganged up on Europe for being a bothersome burden on the backs of German taxpayers.

Coming just one month before Germany assumes the rotating six-month presidency of the European Union, the debate in the lower house of parliament, the Bundestag, underscored the country's growing ambivalence about its traditional role as "paymaster" for the community.

It also demonstrated that Germany's new budgetary belligerence and election-year politics are likely to fight for priority with grand strategic visions for most of the rest of the year, increasing tensions within the European Union and hampering the government's efforts to expand the union into central and eastern Europe.

"It is right that we, as the strongest country economically, should pay the most because we derive the most benefit," Mr. Kohl told the Bundestag. "But it is also true that the future financing concept in the community must be much more strongly oriented towards income per head in the individual countries."

"Our goal is that other member states with comparable incomes per head must take on more financial responsibility than they have in the past," he said.

Although members of all the German political parties, including Mr. Kohl's conservative Christian Democratic Union, as well as the Deutsche Bundesbank, have fussed about the burden of

Europe before, it was the first time that the chancellor himself had spoken out on the issue.

To be sure, Germany remains as committed to the ideals of Europe as ever, and is expected to use its clout in Brussels to push for a widening of the community to include democracies in Eastern Europe as it did for Austria and Scandinavia.

Mr. Kohl said a continuation of the European integration process remains Germany's ultimate *Schicksalsfrage*, or point of vital interest.

Integration is "the most effective insurance against the rekindling of nationalism, chauvinism and racism on our continent" and the key to the establishment of a more perfect European union, complete with a common currency, for the start of a new millennium, Mr. Kohl said.

But Mr. Scharping, whose campaign rests on the message "jobs, jobs, jobs," said social security would be the main focus of the European agenda under a government led by the Social Democrats, whom he hopes to lead to victory in this October's parliamentary elections.

If elected, his party would push European initiatives in research, science and education, Mr. Scharping said.

He accused Mr. Kohl of "general cloudiness" and hypocrisy for agreeing to Germany's high contributions to European Union budgets in the past and not making sure enough of it returned to Germany after unification.

"The least you could do is ensure that more of it flows back via structural funds and aid for the reconstruction of Eastern Germany," he said.

Finance Minister Theo Waigel, whose Bavarian Christian Social Union shares power with Mr. Kohl's Christian Democratic Union, said Germany had slipped to being the Union's sixth richest country today per capita, from its second richest before

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China and U.S. Gear Up for Big Business Links

Compiled by Our Staff From Dispatches

BEIJING—A team of up to 20 Chinese engineers will soon leave for the United States to assist Boeing Co. in the design and manufacture of its new 737-700 airliner, the China Daily reported Sunday.

The move came as American companies and Chinese officials acted swiftly to expand trade relations after President Bill Clinton's decision last week to separate trade issues from the two countries' dispute over human rights.

In other developments since Mr. Clinton chose to renew China's most-favored-nation trade status:

- China plans to increase the number of stocks available to foreign investors in a bid to revive the weak market for B shares.

- U.S. insurance companies, eager to sell to China's 1.2 billion people, sent a large delegation to the world's most populous nation to try to open doors.

- Beijing also pledged "to open up new horizons for foreign investment" in its oil industry.

The engineers from Xian Aircraft Manufacturing Co. will further extend China's growing ties with the world's biggest maker of airliners, China Daily said. Xian Aircraft builds various fins, stabilizers and doors for 737s.

Chinese companies also will take part in market feasibility studies for an airplane with 80 to 100 seats, similar to the 737.

In 1993, China bought one of every seven commercial aircraft built by Boeing, a report said last week. The aircraft giant is now negotiating with Beijing to sell China another 30 planes worth close to \$3 billion, China Daily said.

Boeing's links with China range from production of aircraft parts to training pilots and maintenance personnel. The company has forecast that China will become its second-largest market after the United States by 1999 and will need to buy 800 airliners worth \$40 billion by 2010.

Regarding stocks, an unnamed official with the China Securities Regulatory Commission was quoted by the China Daily as saying that companies outside Shanghai and Shenzhen would be allowed to issue B shares for trading on the two exchanges but did not say when the new regulation would be implemented.

Turnover on B shares has been low this year as investors have turned to other instruments, such as state bonds. The Credit Lyonnais China B Index shows that B shares fell 33 percent from Jan. 1 to May 13, before the beginning of a two-week rally.

On May 12, the official Xinhua News Agency said 50 companies would be allowed to list B shares this year, more than doubling the present 49 listings.

But the market needs little encouragement if last week's results are any guide. As investors celebrated news that the United States renewed China's most-favored-nation status.

See CHINA, Page 21

London Notebook

MTV: Trying to Get Out the Euro-Vote

In the seven years since it set up shop in London, MTV Europe has faced and conquered many challenges. Two months ago the pioneering music-video network surpassed its American parent by garnering an audience now estimated at 140 million viewers across Europe.

This month, however, MTV Europe takes on what may be its greatest challenge. "We stuck our toe in the water on this and we found it pretty cold," said Bill Roedy, president of MTV Europe. Undaunted, he is bravely pressing onward.

Next weekend, Mr. Roedy will turn his network over to a "Vote Europe" campaign, a series of broadcasts ahead of the elections to the European Parliament on June 12. MTV's heady objective? "I'd sum it up by saying we are trying to make voting cool," said Mr. Roedy.

To advance the cause, MTV will offer a series of news and information programs interspersed with liberal dollops of music on a voting-related theme. "Don't ask me what that means we will be playing specifically," Mr. Roedy said.

While the reaction of Europe's youth remains to be seen, the MTV president noted that the campaign was already a big hit in Brussels. The European Commission president, Jacques Delors, will appear on the network next weekend to lend his steady hand in the effort to elevate the election to the status of "cool."

To live things up a bit, MTV also will broadcast interviews with Prime Minister Gro Harlem Brundtland of Norway; Mikhail S. Gorbachev, the former Soviet leader; and Prime Minister Tansu Ciller of Turkey. "They are unusual choices," said Mr. Roedy. "But we try to go against the mainstream."

Socialists Defy the Euro-Yawn

In notoriously Euro-bored Britain, the election campaign for the European Parliament has yet to catch fire. But the tiny Socialist Party has come up with a potential spark.

In a press packet sent out late last month, the Socialists went straight for the media's jugular: the omnipresent need for excitement. "This election campaign is going to be one long yawn for most people," their press release said. The Socialists' helpful solution? The one they promise will "add something interesting" to the campaign? Nothing less than: "Interview a Socialist."

Bonn Aide Rebukes DASA For Skipping Big Air Show

Compiled by Our Staff From Dispatches

BERLIN—The second Berlin international air show opened with Germany's leading aviation firm, Deutsche Aerospace, getting a public rebuke from a government minister over its absence.

Opening the show at the German capital's Schoenefeld airport, Economics Minister Günter Rexrodt criticized DASA for staying away. "I am bitter to see that a German firm, which like no other has received massive aid from the German government, has not seen fit to support the efforts of the government and the state of Brandenburg," he helpfully said.

This year's show, which runs until June 5, features 390 exhibitors from 29 countries. Many East European companies are represented. In all, 230 aircraft will be on display. On Sunday, a Russian spy plane that can fly at record altitudes to study the earth's ozone layer made its Western debut. The Geophysics M-55 has flown to heights of more than 21 kilometers (13 miles).

(AFP, Reuters)

JAPAN PACIFIC FUND

SICAV
Luxembourg, 11, rue d'Almringen
R.C. Luxembourg n° B 8340

Avis de convocation

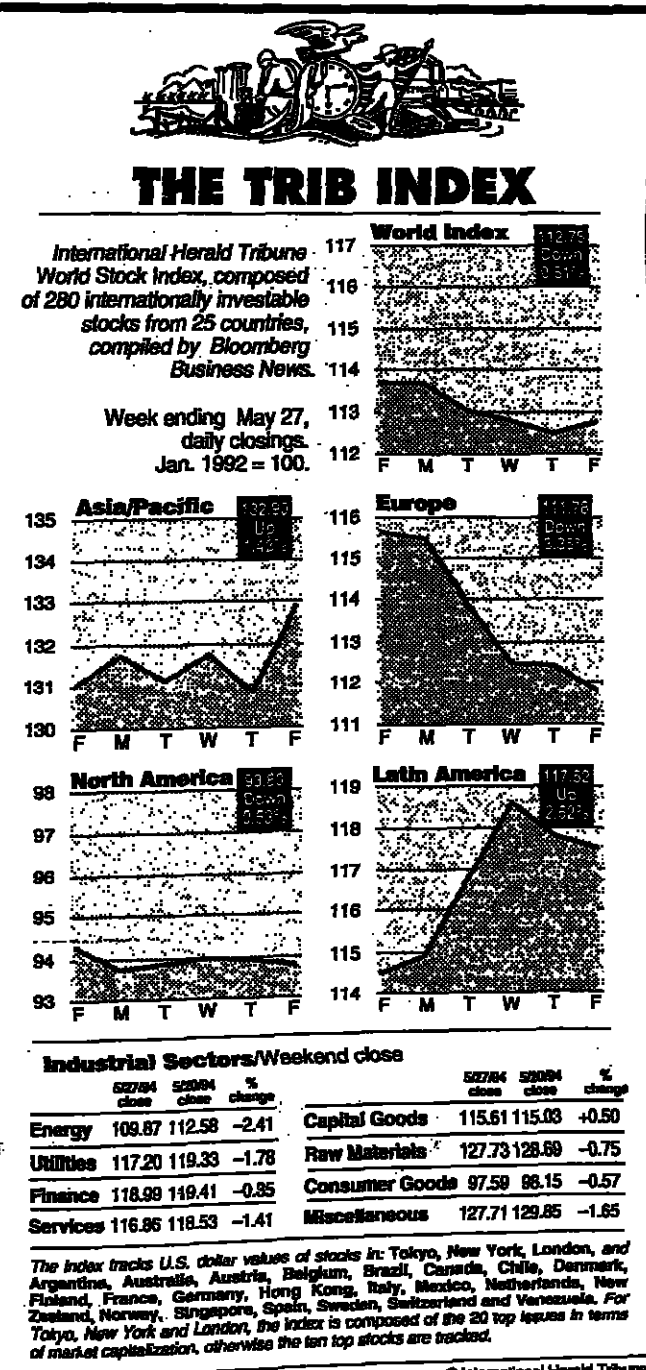
Mesdames et Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire de notre Société, qui aura lieu le 15 juin 1994 à 15.30 heures au siège social avec l'ordre du jour suivant:

Ordre du Jour

1. Présentation du rapport de gestion du Conseil d'Administration et du rapport du Réviseur d'Entreprises.
2. Approbation des comptes arrêtés au 31 mars 1994 et fixation du dividende.
3. Décharge aux Administrateurs.
4. Nomination de Réviseur et Conseil d'Associés, Luxembourg, comme Réviseur d'Entreprises en remplacement de Haugewerf & Cie S.A. Luxembourg.

Les décisions concernant tous les points de l'ordre du jour ne requièrent aucun quorum. Elles seront prises à la simple majorité des actions présentes ou représentées à l'Assemblée. Chaque action donne droit à un vote. Tout actionnaire peut se faire représenter à l'Assemblée.

Le Conseil d'Administration



CURRENCY RATES

| May 27 | | | | | | | | | |
|-------------|--------|------------|--------|----------|--------|----------|--------|----------|--------|
| Currency | Per \$ | Currency | Per \$ | Currency | Per \$ | Currency | Per \$ | Currency | Per \$ |
| Australian | 1.34 | Swiss | 1.25 | Japanese | 1.35 | British | 1.60 | French | 6.55 |
| Belgian | 36.36 | German | 1.93 | Italian | 1.36 | Dutch | 2.20 | Spanish | 166.37 |
| Canadian | 0.71 | Portuguese | 200.48 | Swedish | 8.46 | Austrian | 13.76 | Belgian | 36.36 |
| Chinese | 8.27 | Spanish | 166.37 | Swiss | 1.25 | British | 1.60 | French | 6.55 |
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| HOYT | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|--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New International Bond Issues

Compiled by Laurence Desvillettes

| Issuer | Amount (millions) | Mat. | Coup. % | Price | Price and week | Terms |
|------------------------------------|-------------------|------|---------|--------|----------------|---|
| Floating Rate Notes | | | | | | |
| World Bank | m. 200,000 | 2001 | — | 101.08 | — | Interest will be 180% less 1-year Libor. Coupon may be reset in 1996. Noncallable. Fees 1.0% (Banco Nacional del Lavoro). |
| Fixed-Coupons | | | | | | |
| AT & T | \$400 | 1996 | 6% | 100.79 | 100.03 | Reoffered at 99.815. Noncallable. Fees 1.0% (CIS First Boston). |
| DSL Bank | \$300 | 1999 | 7 | 101.33 | 99.45 | Reoffered at 99.71. Noncallable. Fees 1.0% (Nipponia Int'l). |
| Ford Motor Credit | \$150 | 1997 | 6% | 100.80 | 99.55 | Reoffered at 99.684. Noncallable. Fees 1.0% (Deutsche Bank). |
| KFW Int'l Finance | \$300 | 1999 | 7 | 99.59 | 99.40 | Noncallable. Fees 0.25% (Lehman Brothers Int'l). |
| Minnesota Mining & Manufacturing | \$200 | 1997 | 6% | 101.06 | 99.60 | Reoffered at 99.873. Noncallable. Fees 1.0% (Morgan Stanley Int'l). |
| Multiva Mexico Trust | \$125 | 1997 | 9% | 100% | — | Noncallable. Fees 1% (Sofima Montagu). |
| Philippine Long Distance Telephone | \$250 | 2004 | 10% | 99.48 | — | Semiannually. Noncallable. Fees 0.875% (Bankers Trust Int'l). |
| DSL Finance | €100 | 1999 | 8 | 99.35 | — | Noncallable. Fees 0.25% (S.G. Warburg Securities). |
| Royal Bank of Scotland | €150 | 2015 | 9% | 99.97 | — | Noncallable. Fees 0.25% (S.G. Warburg Securities). |
| Coriplo | m. 150,000 | 2004 | 9% | 100.77 | 99.00 | Collateral at par in 1996. Fees 2% (Coriplo). |
| ING Bank | €500 | 2004 | 7% | 99.95 | 98.60 | Reoffered at 99%. Noncallable. Fees 1% (ING Bank). |
| Eurofimo | €800 | 1999 | 8% | 101.34 | — | Reoffered at 99.72. Noncallable. Fees 1.0% (Bij Int'l). |
| Toyota Finance Australia | Aus\$ 100 | 1997 | 7% | 101.16 | 99.75 | Noncallable. Fees 1.0% (Merrill Lynch Int'l). |
| Abbey National Treasury Services | ¥30,000 | 1997 | 3.35 | 100.20 | — | Noncallable. Fees 0.20%. Denominations 10 million yen. (Merrill Lynch Int'l). |
| Barclays Overseas Capital | ¥10,000 | 1999 | 3.80 | 100.47 | — | Noncallable. Fees 0.275%. Denominations 10 million yen. (Merrill Lynch Int'l). |
| De Nationale Investingsbank | ¥10,000 | 1997 | 2.90 | 100 | — | Interest will be 2.90% until 1999, when it will be 3.4% thereafter. Fees not disclosed. (Morgan Stanley Int'l). |
| Finland Export Credit | ¥10,000 | 1999 | 4% | — | — | Semiannual interest will be 4% in first year, then divided into two tranches: first one, priced at 98, will pay interest after first year of 98% less twice the 4-year yen swap rate. Second one, priced at 97, will pay 10.25% less twice the 4-year yen swap rate. Noncallable. Fees not disclosed. (Morgan Stanley Int'l). |
| Landschaftliche Rentenbank | ¥20,000 | 1998 | 3.30 | 100 | — | Noncallable. Fees 0.225%. Denominations 10 million yen. (Merrill Lynch Int'l). |
| Morgan Stanley Group | ¥10,000 | 1997 | 2.60 | 100 | — | Interest will be 2.60% in first year, thereafter 0.20 over 3-month Libor. Noncallable. Also 5 billion yen of similar notes, but paying 2.5% in first year. Fees not disclosed. (Morgan Stanley Int'l). |
| SBAB | ¥10,000 | 1996 | 2.81 | 100.20 | — | Noncallable. Fees 0.20%. Denominations 10 million yen. (Merrill Lynch Int'l). |
| Suedwest Deutsche Landesbank | ¥10,000 | 1997 | 2.70 | 100 | — | Interest will be 2.70% in first year, 3% in second year and 3.30% thereafter. Collateral at par from 1995. Fees not disclosed. (Morgan Stanley Int'l). |
| Treasury Corp. of Victoria | ¥10,000 | 1996 | 2.55 | 100 | — | Noncallable. Fees 0.125% (Bij Int'l). |
| Ury | ¥10,000 | 1998 | 3.70 | 100 | — | Noncallable. Fees not disclosed. Denominations 10 million yen. (Tokai Bank). |
| Equity-Linked | | | | | | |
| United Microelectronics | \$160 | 2004 | 1% | 100 | — | Noncallable. Convertible at \$34 per share and at \$36.82 per dollar. Fees 3.0% (Barclays de Zotte Weid). |

BONDS: Could Japanese Investors Save the Market?

Continued from Page 19

annualized yield on 10-year Treasury paper rose 18 basis points last week to 7.28 percent.

But Mr. Koo argues that no amount of yield pick-up is going to induce a capital outflow from Japan until worries about the exchange rate are convincingly eased.

In theory, European markets should not need the buying power pent up in Japan because domestic conditions favor the purchase of bonds. Three-month money in Germany currently yields 5.03 percent and two-year paper yields 5.53 percent, compared to the 6.81 percent available on 10-year bonds.

The size of the incentive to move money from short-term instruments to long-term bonds is about the same in all the major markets, including the United States.

But the sizable losses suffered so far this year have discouraged domestic investors from taking on new exposure and underwriters are

reported to be sitting on large loss-making inventories.

Normally, central banks could be expected to step in and provide liquidity until the markets recovered their composure. But the U.S. Federal Reserve Board is currently in a tightening mode and may be driven to a more aggressive stance following last week's surprisingly strong revision of first-quarter growth if this Friday's report on May employment indicates that business is expanding faster than is consistent with stable prices.

In Europe, the Bundesbank has boxed itself into a difficult position by refusing to raise its benchmark rate, which continues to expand at a rate far exceeding the upper target set by the central bank. The April overshoot, announced last week, unsettled markets, as did the statement from the Bundesbank president, Hans Tietmeyer, that official rates were now on hold.

This does not mean money market rates are frozen. The overnight rate was cut three basis points to 5.2 percent last week, and most analysts expect this key rate to continue falling by about 20 basis points a month.

Even if the Bundesbank felt the need to do something dramatic to restore confidence in the bond market and injected liquidity by a massive cut in rates, Mr. Drobny warned that such a move "might even damage sentiment even more" because, with an economic recovery clearly underway, it could only add to existing fears that growth must mean higher inflation.

Unless the potential capital flows from Japan appear to be the safest and most desirable way to trigger a revival in bond markets. The question is when, and whether it will be soon enough to prevent European rates from rising to levels that abort the recovery.

GERMANY: Leaders Agree EU Burden Is Too High

Continued from Page 19

the two Germans unified in 1990, and promised to "improve the flows back" in the future.

Germany is the largest net contributor to the Union, providing about 28 percent of its funds, but has also profited more than another country in Europe from the continent's increasing integration.

A recent study by the German Federation of Chambers of Commerce found that Germany was the main beneficiary of free trade within the Union.

German enthusiasm for Europe, while still strong, has suffered dra-

matically from an embarrassing defeat over imported bananas and the signing of the Maastricht Treaty on European union, which effectively writes the Deutsche mark out of existence.

Germans are particularly resentful of Britain's success in recovering from the Union 66 percent of the excess of its contributions over receipts.

Britain considers its hard-won budget rebate sacrosanct, especially at a time when Prime Minister John Major is under attack from anti-Union activists on the right wing of his Conservative Party, and

other governments are loath to send more money to Brussels amid recession and austerity at home.

Erwin Grandinger, an independent political analyst based in Berlin, said Germany would probably try to use its presidency to dramatically reduce its contribution to the Union's budget and campaign for expansion northward and eastward but otherwise hold back from major initiatives.

Expansion of the Union remains a fundamental goal, since it would provide a security buffer between Germany and the republics of the former Soviet Union and boost growth in a region that German corporations hope to dominate.

But full membership for Poland, Hungary, the Czech Republic and others would require either a doubling of Union spending on farm support and regional development, or a drastic reduction of those programs.

Neither alternative is politically acceptable to Germany or to other Union members, so Bonn will focus its efforts on reaching out to Eastern Europe politically, one senior German official said.

Mr. Grandinger said both the Germans and the French, who succeed Germany in the Union's presidency next year, "know they have to be low with ambitious programs until the dust of Maastricht settles."

Mr. Kohl and French Prime Minister Edouard Balladur, in a joint letter published Friday in Germany and France, said they would coordinate their policies toward Europe closely.

But some of Germany's intentions, including tackling the Union's notorious bureaucracy and its maze of regulations, are a natural product of French-style centralized government.

Wolfgang Schäuble, a former Belgian prime minister who heads the Christian-Democratic bloc in Europe, said Mr. Kohl's renewed commitment to a single European currency was significant, given the skepticism of the Bundesbank and many citizens about abandoning the Deutsche mark.

Mr. Martens said it was "decisive" for hopes of further European integration that Mr. Kohl win reelection in October because his mostly likely CDU successor, Wolfgang Schäuble, is much more skeptical about integration.

A Shortage Of Skilled Workers Develops

Reuters

WASHINGTON — Even as the U.S. government wrestles with growing lines of low-skilled unemployed, shortages of skilled workers are beginning to make their first appearance in the current economic expansion, analysts and officials say.

Whether this will lead to an upswing in inflationary pressures as workers with the skills in demand seek a larger slice of the economic pie is uncertain. Wall Street is watching and waiting.

To be sure, the pressures seem very mild and in some cases anecdotal, but corporations are beginning to complain that they are having trouble finding enough skilled workers.

At the same time, the United States is in the midst of what Labor Secretary B. Robert Reich calls a serious problem of long-term unemployment.

"Even in this increasingly solid jobs expansion, almost 1.8 million Americans have been jobless for more than 26 weeks," he told the Senate Finance Committee last week. He added, "In fact, the share of long-term unemployed as a percent of total joblessness has been rising over the last 25 years."

Unemployment has been drifting lower, reaching 6.4 percent in April, and is expected to do at least that well in May.

Mr. Reich, in a television interview, declined to forecast what the rate would be. But he made clear he believed that the overall job situation had improved substantially despite the vexing problem of long-term unemployment.

The key, according to Mr. Reich, is not only keeping the economy strong, but in upgrading and streamlining a system for retraining workers for new skills under the administration's proposed Re-Employment Act of 1994.

"While cyclical and seasonal unemployment still exists," Mr. Reich told the Senate Finance Committee, "the problem of structural unemployment has grown in importance as technological progress, corporate restructuring, the integration of the world economy and defense downsizing have accelerated the pace of fundamental economic change."

Mr. Reich takes the view that full employment, defined as the unemployment rate at which inflationary pressures develop, may be lower than it has been in the past.

He notes that in 1989, inflation stayed when unemployment dropped to 5.7 percent. But that figure may be lower now because of technology and competition from overseas.

GDP Data Keep Damper on Bond Prices

Compiled by Our Staff From Dispatches

NEW YORK — Treasury prices retraced some of Friday's losses sparked by an unexpected upward revision in first-quarter U.S. output as traders covered short positions before the Memorial Day weekend.

Prices dropped sharply when the government said it was revising first-quarter gross domestic product to show a 3 percent gain, after earlier reporting a 1.6 percent rise. The consensus forecast was for a small downward revision.

Prices recovered some in the afternoon as participants with short positions, frustrated that the market had not posted additional losses, covered those positions. But Treasury prices ended lower across the board for the day.

For the week, yields were higher, the 30-year Treasury bond finishing at 7.39 percent, compared with 7.30 percent a week earlier. Five-year

positions that they moved to liquidate as soon as they saw the GDP figure. There were reports that \$1 billion or more of the new five-year notes were sold just after the report was released.

Traders said there were a few small pluses operating in the market's favor going into this week. Some were impressed that even as prices plummeted Friday, long-term securities held above the lows for the week. They also said that the successful completion of the two-year and five-year sales was a relief for the market, as was the fact that the five-year notes were still trading at a profit at week's end, with the two-year notes yielding slightly above their auction average.

But traders said the upside would be limited ahead of the May employment report, due Friday.

The median forecast calls for a 270,000 gain in nonfarm payrolls, but that includes 70,000 truckers returning to work after the previous month's strike. In April, 267,000 jobs were added to nonfarm payrolls, and that total was depressed by the 70,000 strikers.

On Monday, the Knight-Ridder Commodity Research Bureau index of 21 commodities, which had reached its highest levels since October 1990, shot up another 4.67 points to 238.36. That sent the Dow Jones industrial average tumbling. The CRB index backed off later in the week, closing Friday at 230.88 and easing the market's fears.

Some analysts look at the rise in the CRB index and a similar rise in the Journal of Commerce commodity index and argue that it is only a matter of time before the rise in commodity prices will force manufacturing costs and wages higher.

Particularly worrisome is a steep rise in oil prices, since they tend to have a strong ripple effect across the rest of the economy.

But Dennis Jarrett, chief market analyst at Kidder, Peabody & Co., points out that oil prices are still well below the \$19-a-barrel level of a year ago.

"Sure we're up from the lows," he said, "but certainly on a relative basis, oil is still very low."

At the same time, however, there is some evidence that inflation is hitting more than just commodity prices.

A leading inflation index by the Center for International Business Cycle Research at Columbia University has risen more than 6 percent since November. The index includes not only commodity prices but employment levels, import prices and surveys of business managers as to whether they believe they can raise prices.

Geoffrey Moore, the center's director, believes the index is forecasting a significant rise in consumer prices sometime this year.

(Knight-Ridder, AP)

The Week Ahead: World Economic Calendar, May 30 - June 3

A schedule of this week's economic and financial events, compiled by the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

• May 30 Canberra: Balance of payments for April. Forecast: Current account deficit unchanged at 1.58 billion dollars.

• May 31 Jakarta: Real estate development and construction for April. Forecast: Current account deficit unchanged at 1.58 billion dollars.

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Europe

Expected this week: Madrid Spanish March PPI. Forecast: Up 4.0 percent in year, after a 4.0 percent annual rise in February.

• May 30 Brussels: Belgian May CPI. Forecast: Up 0.2 percent in month, up 2.4 percent in year.

• May 30 Copenhagen: Danish 1st quarter GDP. Forecast: Up 0.3 percent in month, up 0.3 percent in year.

• May 30 Frankfurt: German April import prices. Forecast: Up 0.3 percent in month, up 0.3 percent in year.

• May 30 Frankfurt: German April export prices. Forecast: Up 0.3 percent in month, up 0.3 percent in year.

• May 30 Frankfurt: German April production figures. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April industrial production figures. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April retail sales. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April unemployment rate. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April consumer price index. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April housing completions. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April new car sales. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April light truck sales. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

• May 30 Frankfurt: German April commercial vehicle sales. Forecast: Up 0.4 percent in month, up 0.4 percent in year.

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Americas

• May 30 United States: Financial markets closed for Memorial Day.

• May 30 Washington: May official reserves. Forecast: \$25 million.

• May 30 London: U.K. April final money data.

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• May 3

Doomsday Forecast for Mutual Funds

By Carole Gould
New York Times Service

NEW YORK — The stage is set, Donald Christensen argues, for a new "bust" in mutual funds.

Twice before in this century, in 1929 and in the late 1960s, fund investors lost a lot, Mr. Christensen, the New York investment analyst, tells us in his soon-to-be-published book, "Surviving the Coming Mutual Fund Crisis."

And now elements of both crises have resurfaced, he says, to haunt the millions who have flocked to funds in recent years in a mania he likens to the Dutch tulip bulb craze and the flighty period leading to the stock market crash in 1929.

The book's apocalyptic vision may be overdrawn. While a spike in inflation would surely hurt the financial markets, the leverage that magnified the 1929 losses is absent. Regulation is stronger now, too. In part, the book's advice is extreme, but over all, Mr. Christensen offers some solid counsel.

What worries Mr. Christensen is the re-emergence of high-risk investing and secrecy that contributed to the previous fund crises. During the go-go 1960s, for instance, the most successful funds were those using risky investing techniques — buying shares in small, new companies, concentrating their portfolios, owning shares that could not be traded publicly. And when the market plummeted at the end of the decade, some of the highest fliers went with it.

Since 1980, many high-risk policies have crept back. The number of "nondiversified" funds, which can concentrate their portfolios in one industry or country, has risen markedly. More funds have also changed fundamental investment policies, allowing the use of options, leverage or derivative securities. The latter have created losses for adjustable-rate mortgage funds in recent years.

Ken Gregory, who edits the No-Load Fund Analyst in San Francisco, warns against generalizing about these developments, pointing out that many changes have been made because new financial instruments are available, and that many of the strategies are used to limit losses, not lift returns.

Still, Mr. Christensen says, investors should steer clear of funds that use the riskier strategies. His concern is echoed by John Reckenthaler, editor of Morningstar Mutual Funds.

"If it's a new and complex strategy that the fund companies are introducing and they say 'trust us, don't,' he said.

Mr. Christensen advises avoiding stock funds with yearly expenses exceeding 1.25 percent, about the group's average. Expenses for funds owning government bonds should not exceed 0.8 percent, he says; corporate bonds, 1 percent.

And potential investors in unseasoned companies must know there are big risks, Mr. Christensen says.

Managers are moving into smaller stocks, many with short track records, and their belief that they can succeed if they "are smart

enough and work hard," Mr. Reckenthaler added, can lead "to a dangerous self-confidence."

Mr. Christensen also expresses alarm about the fund industry's tendency to withhold or camouflage information and mislead shareholders about their investments. Prospectuses and annual reports often present information in ways that befuddle investors, he says.

Investors should know who manages their money. The Securities and Exchange Commission recently ruled that a fund must disclose the name of its manager in its prospectus, with this exception: funds managed by teams of two people or more. About 15 percent of all funds in the Morningstar data base were team-managed in 1989; that jumped to 30 percent by the end of 1993.

How should investors pick a fund? Mr. Christensen, who publish-

The mutual fund industry's aim is sales. The investor's job, analyst Donald Christensen says, is 'to skeptically question and investigate the risk' of what the industry is trying to sell you.

as "The Insider Outlook," a newsletter that tracks the stocks that corporate insiders buy and sell, advises avoiding funds that lead the short-term performance charts as too risky. Instead, he says, investors should look for strong three-to-five-year track records.

And he urges shunning funds in the bottom 10 percent of the performance charts. But investors should also make fair comparisons. Funds that invest abroad, for instance, look terrible compared with domestic equity funds for the last five years.

Mr. Christensen also says stay away from funds labeled "high-yield" or "high-income," a euphemism for "high-risk."

Investors should never buy shares on margin, Mr. Christensen says, because doing so is very risky.

High-turnover funds should also be avoided, he says. But if investors shunned them all, Mr. Reckenthaler said, they would miss winners like Janus Worldwide, Columbia Special and Fidelity Magellan.

In the end, befitting his doomsday view, Mr. Christensen urges investors to stick with individual issues of stocks or bonds. But because funds can benefit some investors by offering diversification and professional management, this is an extreme approach.

The bottom line: Remember that the fund industry's aim is sales. It is an investor's job, Mr. Christensen says, "to skeptically question and investigate the risk" of what the industry is trying to sell you.

WORLD STOCKS IN REVIEW

Via Agencies France-Press

Amsterdam

Amsterdam shares fell sharply last week and the EOE index dropped to 401.63 points from 412.77 the week before.

The fall of the London market depressed trading in Amsterdam. The trend was confirmed by a slide in share values elsewhere around Europe and in New York.

Among the most active stocks, the oil group Royal Dutch/Shell fell from 201 guilders (\$108.77) to 194.60 and the Philips electronics group fell by 2 guilders to 51.30.

Frankfurt

Frankfurt shares fell, depressed by remarks of the president of the German Bundesbank, Hans Tietmeyer, implying there would be a pause in the bank's recent run of regular reductions in interest rates.

The DAX 30 share index lost 4.83 percent over the week to 2,140.99.

The weakness of the dollar, undercutting the international competitiveness of German exports, was also a contributor to the market's slide, analysts at Commerzbank said.

Hong Kong

President Bill Clinton's decision to renew China's most-favored-nation trading status did little to help the Hong Kong market.

The Hang Seng index closed at 9,470.13 points, down 161.50, or 1.68 percent, on the previous week, while turnover averaged 4.76 billion Hong Kong dollars (US\$616 million), compared with 6.96 billion dollars the week before.

Brokers reported a general lack of direction among investors, who had widely discounted Mr. Clinton's announcement that he would renew China's trading privileges and end the linking of trade and human rights.

London

Worries over interest rates caused shares to tumble in London, with the Financial Times-Stock Exchange 100-stock index registering a drop for the week of 160.9 points to 5,161, falling through the 3,000 level to close at 2,966.4.

The index has now dropped 16 percent since its highest-ever level of 5,359.2, reached Feb. 3. Dealers worried that the suggestion that the Bundesbank was unlikely to cut interest rates for several months would harm a tentative recovery in Germany. They also fear the U.S. Federal Reserve will raise rates again to combat the decline in the dollar.

Among the heavy losers, Thorn EMI plunged 89 pence (51.34) to 1,025 despite a hike in profits while the retailer Marks & Spencer fell 35 pence to 392.5 pence, again after announcing a rise in profits.

Cable & Wireless fell 37 pence to 436 after reporting profits of over £1 billion for the first time ever. British Airways, whose profits soared 63 percent, dipped 6.5 pence to 371.

Milan

Milan was hit by further profit-taking on its recent gains and pulled by the falls registered elsewhere in Europe. The Milan index closed at 11,632 points, down 5.92 percent.

Dealers said the outlook for the market was poor in the short term with shares likely to fall further this week. Insurance and banking shares were particularly hard hit.

Shares in the Fiat automobile group limited their fall to 3.4 percent. Olivetti fell further, ending the week down 6.6 percent. Stet, the telecommunications group, fell 3.1 percent.

Paris

Money worries pushed Paris shares to a low for the year and the CAC-40 index dropped by 5 percent to 2,050.67, depressed by fears of inflation and a slowing of rate reductions.

Dealers were worried by the trend in U.S. and German interest rates in particular. Foreign investors were scarce despite encouraging news from several major companies.

Share prices dropped 1.03 percent on Tuesday, falling a further 2.29 percent Wednesday and 1.97 percent Friday with only a 0.36 percent rise on Thursday.

A slide in the bond market had also depressed dealing, with further falls expected this week, market analysts said.

Singapore

Renewed fears of U.S. interest rate increases pushed Singapore shares lower.

The key market indicator, the Straits Times Industrial index, fell 13.06 points to end at 2,323.95 while the broader-based All-Singapore SES index slipped 1.52 points to 573.36.

Shares rose Monday but fell the following day in reaction to fears in the United States, later allayed, that surging commodity prices would lead to higher inflation.

Tokyo

Almost alone in the world's stock markets, shares rose in Tokyo last week, pushed higher by foreign investment after a series of major companies announced better-than-expected profits.

The Nikkei Stock Average of 225 selected issues closed at 20,777.16, up 434.99 points or 2.1 percent from a week earlier. The index gained 71.42 points the week before.

The broader-based Tokyo Stock Price Index of all issues in the major section ended at 1,670.76 Friday for a weekly gain of 28.22 points after losing 0.66 point a week earlier.

First section turnover averaged 465.8 million shares a day, against the preceding week's 287.7 million, while the value of shares traded this week increased from 32.52 billion yen (\$3 billion) to 42.6 billion yen.

The market was encouraged by a Japan-U.S. agreement Tuesday to resume stalled framework trade talks, aimed at cutting Japan's trade surplus with the United States.

Zurich

Zurich also was relatively isolated from the chill running through other markets. The Swiss Performance Index dropped by just 8.24 points (0.4 percent) on the previous week, to 1,780.19 points.

Uncertainties over interest rates continued to weigh on the market. But Wall Street's recovery at the end of the week helped the market.

Bank shares were depressed. UBS fell 4 to 1,170 Swiss francs (\$836). SBS fell 6 to 402, and CS Holding dropped 8 to 612.

SHORT COVER

China's 1994 Bond Sale Going Well

BEIJING (AFP) — China's crucial 1994 state bond issue has been largely successful, with all two-year bonds sold out ahead of schedule and 67 percent of their three-year equivalents taken up, the Ministry of Finance said.

A ministry official said he was confident that the remaining 33 percent of three-year bonds would be sold by the end of June as planned. This year's 87 billion yuan (\$10 billion) state bond issue, launched April 1, is vital because the state treasury will for the first time be unable to offset its budget deficit by borrowing from the central bank.

Did German Doctors Get U.S. Bribes?

BONN (AP) — German heart clinics are suspected of having taken millions of dollars in kickbacks from U.S. manufacturers while permitting the manufacturers to charge exorbitant prices for heart valves, German experts say.

Chief doctors and administrators at dozens of clinics around Germany have been receiving bribes of up to 1,500 Deutsche marks (\$900) per heart valve in exchange for passing along inflated bills, said Gert Nachtigal, president of the General Health Insurance Union.

Karsten Vilmar, president of the Federal Chamber of Doctors, called Mr. Nachtigal's accusation "slandorous." But the German minister of health, Horst Seehofer, said a criminal investigation was being prepared.

Murdoch Targets More TV Stations

SYDNEY (AFP) — The media magnate Rupert Murdoch is embarking on another buying spree of U.S. television stations, setting his sights on 15 more within a year, according to The Weekend Australian.

Last week, Mr. Murdoch's Fox Broadcasting bought 12 U.S. television affiliates for \$700 million. Mr. Murdoch, chief of News Corp., told the newspaper he would also like to buy Australia's Seven Network if Canberra deregulated laws preventing cross-media ownership in Australia.

U.S. Seeks Changes in BT-MCI Deal

WASHINGTON (WP) — The U.S. Justice Department is trying to negotiate changes to British Telecom's plan to buy a 34.3 billion stake in the Washington-based long-distance company MCI Communications Corp., government and diplomatic sources said.

The move to alter MCI's deal with BT is an apparent reaction to complaints that Britain unfairly blocks U.S. telecommunications companies from doing certain kinds of business there.

The United States is unhappy with British policies that ban foreign ownership of international calling facilities. AT&T Corp. has been trying to set up its own such network in Britain. Yet the United States concedes that many barriers to foreign competition in Britain have come down in the past decade, making it the most open market in Europe.

For the Record

Vietnam will end the monopoly of the state telecommunications authority and open it up to armed forces participation, the semi-official weekly Vietnam Investment Review said. But it gave no indication that private companies would get a piece of the action.

Hol Sing Holdings, the Hong Kong construction company, reported a pre-tax loss of 7.3 million dollars (\$945,000) for the nine months that ended Dec. 31. It cited stiff local competition.

Shenggang Concord Grand, the China-controlled real estate and investment company, said net profit climbed 184 percent to 144.0 million Hong Kong dollars in 1993, from 50.8 million dollars in 1992.

Electric Utility Stocks: Competition Takes Toll

The Associated Press

NEW YORK — After the jolts they have suffered over the past several months, many investors in electric utility stocks are in shock. This historically conservative sector, where risk of price declines is presumed to be cushioned by generous dividend yields, has taken a pounding over the last nine months.

The Dow Jones average of 15 utility stocks fell more than 30 percent from its peak last August to its recent low. That is triple the damage suffered by Dow Jones average of 30 industrials from its record high early this year to the lows it reached this spring.

The sell-off has taken the utility average to its lowest levels in six years, wiping out almost all the gains it had recorded in the long recovery from the market collapse of 1987.

With their traditional standing as "bond substitutes," utility stocks are trading at prices that last prevailed when an investor could get 10 percent interest on a top-rated corporate bond. Today, yields on blue-chip industrial bonds stand at about 8 percent.

That strongly suggests that the rise of interest rates since last fall is not the only force that has weighed down electric utility stocks.

In the general view on Wall Street, the industry is heading into a difficult period of change, adapting to increased competition.

Two recent indications of this are a proposal by California regulators for sweeping changes, including some elements of price competition, in their state, and a dividend reduction by FPL Group, parent company of Florida Power & Light.

Many analysts say the sell-off in the utility stocks has gone to unwarranted extremes, and have been recommending that investors do some bargain-hunting in the group.

William LeFevre, at Ehrenkrantz, King Nussbaum Inc. in New York, said: "To hear some tell it, electric utilities are becoming powerless. Don't believe it. Companies with well-covered dividends should be bought on any further weakness."

Some selling appears to have spilled over into natural gas and water utility stocks, although analysts say those businesses face nowhere near the same level of uncertainty as electric power.

But even if the markets have overreacted and a rebound may be due, many observers say conservative long-term investors have reason to approach electric utilities with a sense of caution.

"We advise an extremely selective approach to investing in the group," said James Dobson, analyst at Donaldson, Lufkin & Jenrette Securities Corp.

He suggested that investors look in particular for utilities with relatively low customer rates, dividends that are comparatively low as a percentage of earnings and managements that seem to have good strategies for negotiating the changes confronting the industry.

"While the selling in utility stocks seems to be overdue, further declines are possible in the near term," said the advisory letter Dow Theory Forecasts. "From an investment standpoint, it is probably too late to exit the utility group. But investors should upgrade out of low-quality issues. The stocks should also be examined within the context of portfolio allocation. Utilities should not make up more than 15 percent to 20 percent of a portfolio."

As for the risk of dividend cuts, analysts at Dow Theory Forecasts advise investors to be especially wary of stocks with higher-than-average yields and companies where recent dividends have exceeded earnings or have been close to that point.

They said that a payout ratio above 90 percent of earnings "reflects a dividend that is potentially on shaky ground." They added, "A utility whose quarterly per-share earnings have not covered the quarterly dividend for several quarters is a good candidate for a cut."

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OTC Consolidated trading for week ended Friday, May 27.

(Continued)

| Stocks | Div | Yld | 100 | High | Low | Chg | Chg |
|----------------|------|-------|--------|--------|--------|--------|--------|
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

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| Stocks | Div | Yld | 100 | High | Low | Chg | Chg |
|----------------|------|-------|--------|--------|--------|--------|--------|
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| ABC INVESTMENT | 1.00 | 10.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Last Week's Markets

All figures are as of close of trading Friday

Money Rates

United States

May 27

May 26

May 25

May 24

May 23

May 22

May 21

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May 18

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MONDAY SPORTS

Hill Captures Spanish Prix, Schumacher 2d

The Associated Press
BARCELONA — Damon Hill of Britain won the Spanish Grand Prix on Sunday to end Michael Schumacher's four-race winning streak.

Schumacher, driving a Benetton-Ford, finished second, 24.166 seconds behind Hill's Williams-Renault.

Mark Blundell in a Tyrrell-Yamaha took third more than a minute behind.

It was Hill's fourth Formula One victory, and first since the season's start in March, when he won the opening four races.

"This is better than any of the wins I had last year," Hill said. "It was much harder under the circumstances."

Hill won three races in a row last year after mid-season.

Schumacher had the pole position and led for the first 22 laps before going into the pit for tires and fuel.

But gearbox problems forced him to slow up over the last 10 laps and he lost more than 10 seconds before recovering his full

speed, which allowed Hill to move into first place by the 31st lap.

Schumacher took over the lead again but had to pit once more at the end of the 41st lap. Hill regained first position at the end of the 46th lap of the 65 to be run and held it to the finish.

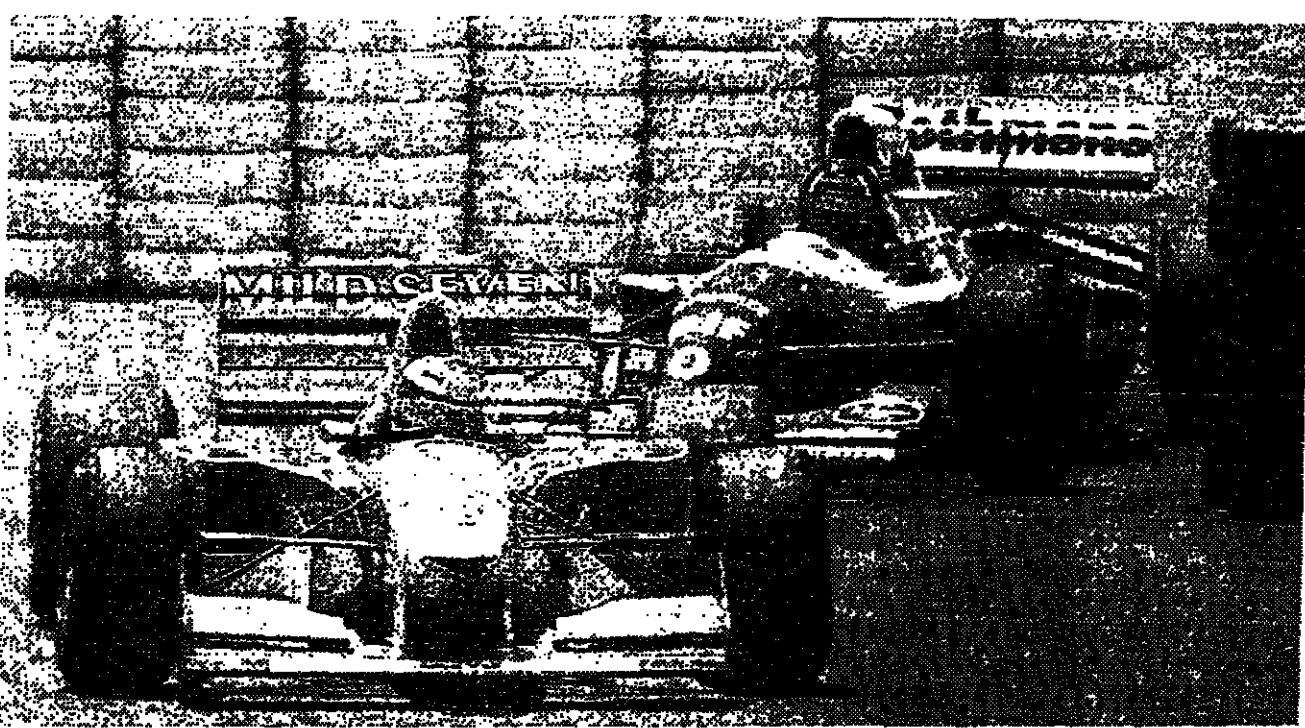
Only two other drivers were on the same lap as Hill at the finish, while just 10 cars of the starting 26 were running at the end of the race, which was held on a humid and sunny day.

Jean Alesi in a Ferrari was fourth followed by Pier-Luigi Martini in a Minardi-Ford. Eddie Irvine, in his first race after a three-race suspension, took sixth in a Jordan-Hart.

Hill's victory puts him into second place for the driver's standings of the season with 17 points. Schumacher is still far ahead with 46 points.

This was very important to do well," Hill said. "This victory must go to the team Williams who have had a difficult time lately."

"And also the fans of Ayrton Senna in Brazil who want to see that they wanted me to do well," Senna



Michael Schumacher holds the lead on Sunday, temporarily, as he and Damon Hill pass through a makeshift turn bordered by tires.

died in a crash at the San Marino Grand Prix four weeks ago.

Hill did it in 1 hour, 36 minutes, 14.374 seconds for the 65 laps of the 4.747-kilometer (2.95-mile) course, a total of 308.5 kilometers.

Alain Prost won last year's race in 1:32:27.685.

This year's track was altered slightly when the drivers requested a new small curve, or chicane, bor-

dered by tires at the end of a small straightaway.

Off the track, Italian driver Andrea Montemini was reported in good spirits as he recovered from injuries following a crash on Saturday.

Andrea is fine, he slept well and today he's in good form and wants to go home," said Paulo Montemini, the driver's father. He said Andrea hoped to leave the hospital

and return home sometime Monday.

Doctors said Montemini had a broken toe in his right foot and a cracked heel in his left. Montemini, making his debut for the Simtek-Ford team, crashed at about 200 kilometers an hour while rounding a curve Saturday.

Continued discussions among the drivers, team leaders and the sport's governing body concerning

the new safety measures occurred during the weekend.

The cars' new technical regulations, some of which were brought into effect following a number of high-speed accidents the past month, will be reviewed at a special technical meeting this Tuesday in London.

The next race is the Canadian Grand Prix on June 12.

Fittipaldi Crashes, Unser Wins at Indy

The Associated Press

INDIANAPOLIS — So overwhelming were Roger Penske's Mercedes engines in Sunday's Indianapolis 500 that even when Emerson Fittipaldi crashed while leading with 16 laps to go, teammate Al Unser Jr. simply moved in for the victory.

Unser, the son of four-time winner Al Unser Sr., inherited a 13.3-second lead and turned the race back into a Penske runaway, pulling steadily away from rookie runner-up Jacques Villeneuve.

Unser driver was able to enjoy the final moments of his second Indy triumph as he cruised along behind the pace car over the last three laps, a crash having brought out the yellow flag.

It was only the third time in 78 Indy 500s that the race has ended under a caution flag.

Penske, who took advantage of a loophole in the Indianapolis rules, made a big stakes gamble by putting millions of dollars into the development of the Mercedes engine for just this one event.

The payoff, worth an estimated \$1.2 million, came Sunday as the 32-year-old Unser gave Penske his record 10th Indy win and added this victory to his triumph in 1992, the closest finish ever.

Fittipaldi, dominating the race, had a lead of more than 40 seconds

with 20 laps remaining. Unser cut the lead to 34 seconds in the next few laps, then Fittipaldi struck the wall coming out of the fourth turn.

The car was flying. I hit an apron," Fittipaldi said.

Before Fittipaldi's crash, he never lost the lead except when he made pit stops. His last was on the 163rd lap, giving the lead briefly to Unser. When Unser pitted five laps later, Fittipaldi regained the lead and appeared headed easily to his third victory and second in a row.

Rookie Hideki Matsuda hit the wall in turn two on lap 91, bringing out the fourth yellow flag. John Paul Jr. hit the wall in turn three. Then Nigel Mansell and Dennis Vitolo collided. Vitolo's car coming to rest on top of Mansell's.

Mansell leaped out and rolled on the ground, apparently in pain, but walked out of the infield hospital after a brief examination.

Mario Andretti, who will retire at the end of the season, went out with ignition trouble after a lengthy pit stop.

The first yellow was when rookie Dennis Vitolo made a 360-degree spin but did not make contact with the wall and kept going. On the 29th lap, Mike Groff and Dominic Dobson bumped wheels and crashed in turn one, bringing out the second yellow.

SCOREBOARD

Major League Standings

(Through Saturday)

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| New York | 32 | 13 | .711 | — |
| Boston | 29 | 17 | .630 | 3 1/2 |
| Baltimore | 26 | 19 | .578 | 6 1/2 |
| Toronto | 26 | 19 | .578 | 6 1/2 |
| Detroit | 25 | 25 | .500 | 12 |

Central Division

| | | | | | |
|---------------|----|----|------|----|----|
| Cleveland | 24 | 21 | .533 | 4 | 6 |
| Minnesota | 24 | 22 | .522 | 4½ | 11 |
| Kansas City | 23 | 23 | .500 | 5½ | 8 |
| Milwaukee | 19 | 28 | .404 | 10 | 9 |
| West Division | | | | | T |
| California | 23 | 27 | .460 | — | |
| Texas | 20 | 26 | .435 | 1 | (7 |

West Division

| NATIONAL LEAGUE | | | | |
|-----------------|----|----|------|----|
| East Division | | | | |
| | W | L | Pct. | GB |
| Atlanta | 29 | 17 | .630 | — |
| Montreal | 27 | 20 | .574 | 2½ |
| New York | 24 | 23 | .511 | 5½ |
| Florida | 24 | 24 | .500 | 6 |
| Philadelphia | 22 | 26 | .458 | 8 |

NATIONAL LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| Atlanta | 29 | 17 | .628 | — |
| Montreal | 29 | 17 | .628 | — |
| New York | 24 | 23 | .511 | 5 1/2 |
| Florida | 24 | 24 | .500 | 6 |
| Philadelphia | 22 | 26 | .458 | 8 |

Central Division

| Friday's Line Scores | | | | | |
|--|-----|-----|-------|----|---|
| AMERICAN LEAGUE | | | | | |
| Oakland | 000 | 001 | 100-2 | 10 | 0 |
| Cleveland | 002 | 000 | 001-3 | 6 | 0 |
| Van Poppel, Briscoe (8) and Hernandez: Martinez, Mess (8) and Alomar. W-Mesa, 4-2. | | | | | |

West Division

| | | | | | | |
|---|-----|-----|-------|----|---|---|
| New York | 500 | 008 | 000-5 | 8 | 9 | F |
| Kansas City | 020 | 000 | 008-2 | 13 | 2 | S |
| Key, Howe 19). Wickham (9) and Leyritz: | | | | | | |
| Cane and Macfarlane. W.—Key. 7-1. L—Cane, | a | | | | | |
| B-2. S—Wickham (2). HRs—New York, Boston | 2- | | | | | |
| (1). Kansas City, Macfarlane (6). | S | | | | | |
| Baltimore | 000 | 000 | 000-0 | 6 | 1 | F |
| Chicago | 000 | 000 | 11-2 | 2 | 0 | S |

Friday's Line Scores

AMERICAN LEAGUE

| Team | W | L | Pct. | GB |
|-----------|----|----|------|----|
| Oakland | 20 | 20 | .500 | 10 |
| Cleveland | 20 | 20 | .500 | 10 |
| New York | 20 | 20 | .500 | 10 |
| Baltimore | 20 | 20 | .500 | 10 |
| Seattle | 20 | 20 | .500 | 10 |

NATIONAL LEAGUE

| Team | W | L | Pct. | GB |
|---------------|----|----|------|----|
| Los Angeles | 20 | 20 | .500 | 10 |
| San Francisco | 20 | 20 | .500 | 10 |
| Colorado | 20 | 20 | .500 | 10 |
| San Diego | 20 | 20 | .500 | 10 |
| Chicago | 20 | 20 | .500 | 10 |

Baseball

Major League Standings

(Through Saturday)

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| New York | 32 | 13 | .711 | — |
| Boston | 29 | 17 | .630 | 3 1/2 |
| Baltimore | 26 | 19 | .578 | 6 1/2 |
| Toronto | 26 | 19 | .578 | 6 1/2 |
| Detroit | 25 | 25 | .500 | 12 |

Central Division

| | | | | |
|-------------|----|------|------|-------|
| W | L | Pct. | GB | |
| Chicago | 24 | 21 | .529 | — |
| Cleveland | 24 | 21 | .529 | — |
| Minnesota | 24 | 22 | .520 | 1 1/2 |
| Kansas City | 22 | 24 | .479 | 3 1/2 |
| Milwaukee | 19 | 28 | .404 | 10 |

West Division

| | | | | | | |
|---|-----|-----|-------|---|---|---|
| San Francisco | 200 | 202 | 000—4 | 6 | 1 | W |
| Painter, Moore (A), Markey (7) and Girardi; | | | | | | |
| Lise, Rolos (7), Wetteland (9) and Webster, | | | | | | |
| Sive (9). W—White. L-Q. L—Painter, 9-2. | | | | | | |
| —Wetteland (6). HRs—Colorado, Galar- | | | | | | |
| -po (17). Kingers (11). | | | | | | |
| Cincinnati | 001 | 010 | 000—2 | 8 | 3 | N |

NATIONAL LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| Atlanta | 29 | 17 | .628 | — |
| Montreal | 29 | 17 | .628 | — |
| New York | 24 | 23 | .511 | 5 1/2 |
| Florida | 24 | 24 | .500 | 6 |
| Philadelphia | 22 | 26 | .458 | 8 |

Central Division

| | | | | | |
|---|-----|-----|-------|---|---|
| Philadelphia | 080 | 011 | 008-2 | 7 | 0 |
| Reynolds, Edens (8), Hampton (8), Vera | | | | | |
| McWilliams (9), Hudek (9) and Servals; | | | | | |
| Skie, Borland (7), Andersen (8), Slocumb | | | | | |
| and Dutton. W-Reynolds, 3-1-L-Baskie. | | | | | |
| St. Louis-Hudek (5), HRS-Houston, Finley (8), | | | | | |
| Servals (4), Philadelphia, Dutton (11). | | | | | |

West Division

| | |
|---|--------------------|
| d Santiago; Torres, Menendez (7), M-Jack- | to |
| (8), Beck (9) and Manwaring, W-Torres, | O |
| L-Weathers, 5-3. Sv-Beck (10). HR-San | te |
| Francisco, Potterson (1). | |
| | |
| Louis | 000 500 100-6 6 1 |
| San Diego | 094 408 90x-8 14 0 |
| Los Angeles, Evered (5), R. Rodriguez | V |
| | D |

Friday's Line Scores

| Team | W | L | Pct. | GB |
|-----------|----|----|------|----|
| Oakland | 20 | 20 | .500 | 10 |
| Cleveland | 20 | 20 | .500 | 10 |
| New York | 20 | 20 | .500 | 10 |
| Baltimore | 20 | 20 | .500 | 10 |
| Seattle | 20 | 20 | .500 | 10 |

NATIONAL LEAGUE

| Team | W | L | Pct. | GB |
|---------------|----|----|------|----|
| Los Angeles | 20 | 20 | .500 | 10 |
| San Francisco | 20 | 20 | .500 | 10 |
| Colorado | 20 | 20 | .500 | 10 |
| San Diego | 20 | 20 | .500 | 10 |
| Chicago | 20 | 20 | .500 | 10 |

Baseball

Major League Standings

(Through Saturday)

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| New York | 32 | 13 | .711 | — |
| Boston | 29 | 17 | .630 | 3 1/2 |
| Baltimore | 26 | 19 | .578 | 6 1/2 |
| Toronto | 26 | 19 | .578 | 6 1/2 |
| Detroit | 25 | 25 | .500 | 12 |

Central Division

| | | | | | |
|---|-----|-----|-------|----|---|
| Kland | 000 | 000 | 200-2 | 5 | 2 |
| Winnland | 111 | 010 | 00x-4 | 7 | 0 |
| vin, Harsman (6), Taylor (7), Eckersley | | | | | |
| and Steinbach; Clark and Pena. W—Clark, | | | | | |
| L—Win, 4-5. HRs—Oakland. Aldrete (4). | | | | | |
| Winnland, Baerga (7). | | | | | |
| Minnesota | 000 | 300 | 010-4 | 11 | 1 |
| | 000 | 000 | 000-0 | 10 | 2 |

West Division

| | | | | |
|---|-----|-----|-------|------|
| Guzman, 5-5. L—Langston, 2-3. HR—Tars. Schofield (7). | W | L | Pct. | GB |
| Wilmore | 000 | 002 | 000—2 | 6 0 |
| McGee | 003 | 010 | 25x—6 | 12 0 |
| McDonald, T. Bolton (3), Williamson (6), | W | L | Pct. | GB |
| Miller (7), Mills (8) and Holmes; Bere, Cook (6), | W | L | Pct. | GB |
| Caskill (8), R.Hernandez (9) and LaVal- | W | L | Pct. | GB |

NATIONAL LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| Atlanta | 29 | 17 | .628 | — |
| Montreal | 29 | 17 | .628 | — |
| New York | 24 | 23 | .511 | 5 1/2 |
| Florida | 24 | 24 | .500 | 6 |
| Philadelphia | 22 | 26 | .458 | 8 |

Central Division

| | |
|--|---------------------|
| Peres, Hitchcock (8), X-Hernandez (9). | |
| we (10) and Leyritz; Mikacki, Magnante | PR |
| , Pichardo (8), Montgomery (9), Beinda | La |
|), Brewer (10) and Mayne. W—X-Hernan- | |
| 3-2. L—Montgomery, 0-2. Sv—Howe (4). | As |
| —New York. Leyritz (9), Boston (2). | (9) |
| ston | 000 000 101 1-3 5 0 |
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West Division

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| Rowland, Valle (8); B. Hurst, Howell (7), ver (8), Whiteside (8), Honeycuff (7), Carpen- (9) and Rodriguez, W-Harris, 2-1 L-Cor- ter, 2-2, Sv-Russell (11), HRS-Boston, MA, tuphin (12), Texas, Conasco (11). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Friday's Line Scores

| Team | W | L | Pct. | GB |
|-----------|----|----|------|----|
| Oakland | 20 | 20 | .500 | 10 |
| Cleveland | 20 | 20 | .500 | 10 |
| New York | 20 | 20 | .500 | 10 |
| Baltimore | 20 | 20 | .500 | 10 |
| Seattle | 20 | 20 | .500 | 10 |

NATIONAL LEAGUE

| Team | W | L | Pct. | GB |
|---------------|----|----|------|----|
| Los Angeles | 20 | 20 | .500 | 10 |
| San Francisco | 20 | 20 | .500 | 10 |
| Colorado | 20 | 20 | .500 | 10 |
| San Diego | 20 | 20 | .500 | 10 |
| Chicago | 20 | 20 | .500 | 10 |

Baseball

Major League Standings

(Through Saturday)

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---------------|----|----|------|-------|
| New York | 32 | 13 | .711 | — |
| Boston | 29 | 17 | .630 | 3 1/2 |
| Baltimore | 26 | 19 | .578 | 6 1/2 |
| Toronto | 26 | 19 | .578 | 6 1/2 |
| Detroit | 25 | 25 | .500 | 12 |

Central Division

| | |
|---|----|
| Freeman, Keeg (3), Ruffin (3), Softenfield and Shooter, Girard (9); Martinez, Wei- | Ya |
| land (8), Scott (10), Shaw (10) and Fletcher, Boster (9). W—Ruffin, 2-1, L—Scott, 1-2. | Ch |
| Softenfield (1). HR—Montreal, Floyd (1). | Ya |
| Ride 001 002 101—3 7 0 | Ya |
| Francisco 000 101 000—2 6 2 | Ya |
| San Antonio (1), St. Louis (2), St. Gary (1). | Ya |

West Division

| | |
|---|-----|
| J. Hernandez, 3-3. L-Gomez, 5-1. | Se |
| icago 870 129 272-9 74 8 | Dr |
| anta 000 100 180-2 9 8 | Or |
| Young, Otto (7). Baurisio (9) and Parent: | Lo |
| cker, Blechli (6). Stanton (7). Muhl (9) | Kli |
| J. Lopez W-A. Young, 3-3. L-Mercher, 3-3. | Ni |
| s-Chicago. Zambrano (5). Roberson (1). | |

NATIONAL LEAGUE

| | | | | |
|---------------|----|----|--|--|
| San Diego | 29 | 17 | | |
| Los Angeles | 27 | 19 | | |
| San Francisco | 26 | 20 | | |
| Seattle | 25 | 21 | | |
| San Jose | 24 | 22 | | |
| Portland | 23 | 23 | | |
| San Antonio | 22 | 24 | | |
| San Jose | 21 | 25 | | |
| San Diego | 20 | 26 | | |
| San Francisco | 19 | 27 | | |
| San Jose | 18 | 28 | | |
| San Antonio | 17 | 29 | | |
| San Jose | 16 | 30 | | |
| San Antonio | 15 | 31 | | |
| San Jose | 14 | 32 | | |
| San Antonio | 13 | 33 | | |
| San Jose | 12 | 34 | | |
| San Antonio | 11 | 35 | | |
| San Jose | 10 | 36 | | |
| San Antonio | 9 | 37 | | |
| San Jose | 8 | 38 | | |
| San Antonio | 7 | 39 | | |
| San Jose | 6 | 40 | | |
| San Antonio | 5 | 41 | | |
| San Jose | 4 | 42 | | |
| San Antonio | 3 | 43 | | |
| San Jose | 2 | 44 | | |
| San Antonio | 1 | 45 | | |
| San Jose | 0 | 46 | | |
| San Antonio | 0 | 47 | | |
| San Jose | 0 | 48 | | |
| San Antonio | 0 | 49 | | |
| San Jose | 0 | 50 | | |

MONDAY SPORTS

Indians Roll Over The A's

The Associated Press

Jack Morris, backed by four home runs, struggled but won his third straight Sunday as the Cleveland Indians beat the Oakland Athletics, 7-5, for their ninth consecutive home victory.

The streak is the Indians' best at home since they won 13 in a row at Cleveland Stadium in 1965. The current streak was interrupted by a 2-4 road trip.

Oakland, swept in a series for the 10th time this year, has lost four straight and 31 of its last 37 games. The Indians hit eight home runs in the three-game series, all with the bases empty. Paul Sorrento.

AL ROUNDUP

Sandy Alomar, Kenay Lofton and Jim Thome homered off rookie Miguel Jimenez.

Lofton, who had three hits, has hit safely in 25 of his last 26 games. Alvaro Espinoza also had three hits for Cleveland.

Morris allowed four runs — one of them unearned — and seven hits in five innings, striking out four and walking three.

Paul Shuey pitched one inning for his second save. He gave up Brent Gates' RBI double.

In the first inning, Jimenez covered first on Carlos Baerga's grounder, but the throw from Troy Neel got past him, letting Espinoza score from second.

Three innings later, Morris bounced a short throw past the plate trying to stop Terry Steinbach from scoring on Scott Brosius' squeeze bunt, momentarily giving Oakland a 4-3 lead.

The Indians went ahead 5-4 in the fifth on Lofton's home run, his seventh, and an RBI single by Albert Belle.

Blue Jays 5, Angels 0: Todd Stottlemyre pitched a four-hitter and Roberto Alomar hit a two-run homer Sunday, lifting the Toronto to a home-field victory over California.

Stottlemyre, who hadn't pitched more than 6½ innings in his six previous starts this season, struck out five and walked three in his first complete game. It was his fourth career shutout.

Chuck Finley gave up five hits and struck out seven in pitching his third complete game this season. He struck out six and walked two in losing for the first time in five starts.

Devon White reached base on Damon Eskey's throwing error to start the first and Alomar followed with his fourth home, sending Finley's 1-0 pitch to left for a 2-0 lead. Pat Borders hit his first home run



Mary Pierce, who has lost only four games in four matches, after drubbing Amanda Coetzer.

of the season, a solo shot to left in the second to make it 3-0.

In games played Saturday:

Yankees 5, Royals 3: Three plate umpire Dave Phillips with his bat and causing a concussion. Jim Leyritz hit a home run in the 10th inning to give visiting New York its fourth straight win.

Leyritz hit Phillips in the head with his backswing, and the umpire sustained a mild concussion and bruised left temple.

Finch-batter Daryl Boston's two-run homer off Royals closer Jeff Montgomery had tied the game in the ninth.

Jays 5, Angels 4: Dick Schofield hit his fifth career grand slam and first home run in almost two years, leading the Toronto Blue Jays, playing at home, over the California Angels.

Ed Sprague started the second inning with a walk. Mike Huff doubled and Randy Knorr walked, leading the bases against Mark Langston. Schofield hit the next pitch for his first home since Sept. 29, 1992.

Indians 4, Athletics 2: Mark Clark pitched his third complete game in his last four starts and Carlos Baerga homered as the

Cleveland Indians beat Oakland for their eighth straight home win. The A's lost for the 30th time in their last 36 games.

Clark blanked the A's on three hits until the seventh inning, when Brent Gates singled and Mike Albrecht hit his fourth home run. Albrecht had entered the game in the fifth after Ruben Sierra strained his hamstring rounding first on a single.

Brewers 7, Mariners 5: B.J. Surhoff drove in three runs and Ricky Bones snapped a month-long losing skid for the Brewers.

Dave Nilsson went 4-for-4 as Milwaukee, at home, beat the Mariners for the second straight time after losing a club-record 14 consecutive games. Bones, who last won on April 24 against Kansas City, gave up six hits in eight-plus innings.

White Sox 6, Orioles 2: Frank Thomas homered for the fourth straight game to help the White Sox to their seventh straight win.

Thomas hit his 19th homer and Julio Franco drove in three runs as the White Sox won for the 10th time in 11 games before 43,589, the largest crowd in four seasons at the new Comiskey Park.

The winning streak is Chicago's longest since it won seven straight from Aug. 4-11, 1991.

Ben McDonald (8-3) failed to become the majors first nine-game winner, giving up three runs and four hits in 2½ innings — his shortest outing this season.

Red Sox 3, Rangers 2: Carlos Rodriguez doubled home the go-ahead run in the 10th inning for the visiting Red Sox, who were held hitless by Bruce Hurst until Mo Vaughn homered with one out in the sixth.

Boston tied it in the ninth on Mike Greenwell's double off Rick Honeycutt. Cooper led off the 10th with a single, moved to second on Dave Valle's sacrifice bunt and scored when Rodriguez doubled down the right-field line.

Twins 10, Tigers 9: Rookie Steve Dunn's two-out RBI double in the 10th inning helped the Twins overcome two homers by Kirk Gibson. Gibson homered in the seventh and ninth innings for the visiting Tigers, who rallied from an 8-2 deficit to take the lead before the Twins tied it at 9 in the ninth.

In the 10th Dunn, batting only .194, drove a Mike Henneman pitch over the head of right fielder Junior Felix.

Pierce Lays Claim to 2 Records On Way to French Open Victory

The Associated Press

PARIS — Top-seeded Steffi Graf and No. 12 Mary Pierce came a step closer to a semifinal showdown with devastating fourth-round victories Sunday at the French Open. Pierce smashed two records in the process.

The men's top-seeded Pete Sampras, two-time champion Jim Courier, defending champion Sergi Bruguera and fourth-seeded Andrei Medvedev gained the quarterfinals. Bruguera, seeded sixth, blew by Australian Patrick Rafter, 6-4, 6-3, 6-1, to set up a quarterfinal with Medvedev, who beat Jacco Eltingh of the Netherlands, 6-4, 3-6, 6-4, 6-1. Sampras lost a set for the first time in his four matches, but collected himself to defeat Mikael Tillstrom, 6-4, 6-4, 1-6, 6-4. He will next play Courier, the No. 7 seed, who came back from 1-5 in the fourth set to outlast Olivier Delaître of France, 6-1, 6-7 (9-7), 6-1, 7-6 (8-6).

Graf, a heavy favorite to win her fourth title, crushed unseeded Irina Spirlea of Romania, 6-0, 6-1, yielding only 19 points.

Pierce, based in Florida but playing for France, routed a more formidable foe, South Africa's Amanda Coetzer, 6-1, 6-1.

Pierce has lost only four games in four matches and won her 21st straight at 4-0 in the first set before Coetzer snapped the streak. Both are modern French Open records.

To meet in the semis, Graf must get by 36th-ranked Lucy Gorrochategui of Argentina and Pierce must beat 103th-ranked Petra Ritter of Austria in quarterfinals Tuesday.

The other quarterfinals match No. 2 Arantxa Sánchez Vicario against France's Julie Halard, and No. 3 Conchita Martínez against No. 16 Sabine Hack of Germany.

Sánchez Vicario beat error-plagued Anke Huber of Germany, 6-3, 6-2, while Martínez won, 6-1, 6-2, over 246th-ranked Alicia Dechamone-Balleret of France.

Halard, who had never survived the third round in seven previous French Opens, upset seventh-seeded Natalia Zvereva of Belarus, 7-6 (7-2), 7-5. Ritter also reached her first Grand Slam quarterfinal with a 7-6 (7-2), 4-6, 6-0 win over Romania's Ruxandra Dragomir.

Huber, the last U.S. woman in the field, Shaun Stafford, 6-4, 6-2, while Gorrochategui downed Iva Majoli of Croatia, 7-5, 6-4. Coetzer, ranked 18th in the world, battled gamely, but Pierce repeatedly rocketed ground strokes and service returns out of her reach.

"I didn't make very many mistakes," Pierce said. Graf, while refusing to speculate on a semifinal with Pierce, said, "She has all the shots to come to the top."

Sánchez Vicario had little trouble ousting the 11th-seeded Huber, who committed 45 unforced errors. Even a bad fall in the sixth game of the second set didn't slow the 22-year-old Spaniard, who along with Pierce is considered one of the few serious threats to Graf.

Huber, now 1-7 against Sánchez Vicario, reached the semifinals here last year before losing to Graf. Neither she or Sánchez Vicario had lost a set in the first three rounds, and their match was the only one of 16 fourth-round contests in the upset-riddled tournament to pair two seeded players.

On Saturday, in the conclusion of men's third-round play, five matches were decided in five sets, two involving fourth-seeded Goran Ivanisevic and No. 8 Michael Chang.

By day's end, only one seeded player, Ivanisevic, was left in the bottom half of the draw. In one of his best comebacks, Ivanisevic overcame Spanish clay-court expert Alex Corretja, 6-7 (7-3), 3-6, 6-1, 6-2, 6-3. Chang engineered one of his patented five-set rallies but fell short against Peru's Jaime Yzaga in a 4-hour, 25-minute match that finished 6-2, 6-3, 5-7, 1-6, 7-5.



Arantxa Sánchez Vicario grinning after a fall. She recovered to beat Anke Huber, 6-3, 6-2.

A Courier-Sampras Showdown: The Start of Something Grand?

By Ian Thomsen

International Herald Tribune

PARIS — It was the kind of match that has ruined others in Jim Courier's league this week. The crowd was French, vocally picking up and dusting off its French underdog and patting him on the back, and with spectators' guidance the momentum drifted back and forth between players like a long, lazy rally. Courier was going to win; Courier was going to lose.

But the voice of a crowd on Center Court at Roland Garros is made up of 17,000 parts, and perhaps Courier didn't notice, at the time, that the crowd really didn't want him to lose. It seemed to be cheering on the 76th-ranked Olivier Delaître in order to give Courier a good ribbing.

In four years here, Courier has never looked more human. He is missing the shots he used to make and it is like watching a smile form across the face of Mr. Spock. He fell behind by four games, then recovered five in a row to serve for the match — but he bungled that, too.

When he finally won in a tie-breaker — by 6-1, 6-7 (9-7), 6-1, 7-6 (8-6) — they all stood and gave him a cheer that was not unlike musing his red hair. So he left slightly humbled but knowing — counting on it — that they will all be pulling for him in the quarterfinal when he plays the world No. 1, Pete Sampras.

"Looking forward to it," Courier said. "It is the match I want to win."

Before his own fourth-round match later Sunday, Sampras appeared to be approaching invincibility. He has won the last three Grand Slam events and is trying here to become the first since Rod Laver in 1969 to hold all four titles at once. Anyone who might have threatened him was fended off as if by bodyguards — Henri Leconte, a possible third-round opponent who has given Sampras terrible problems in French stadiums, was knocked out in the first round by Paul Haarhuis, and then Sampras beat Haarhuis in straight sets; and Richard Krajicek, the 16th seed, who figured to worry Sampras on Sunday, was knocked out in the

Singles Results at the French Open

SATURDAY'S RESULTS

Men's Singles, Third Round

Albert Bertranou, Spain, def. Yevgeny K.

Beltrami, Russia, 6-2, 6-2, 6-2.

Andre Gaudenzi, Italy, def. Arnaud Boes.

France, 6-1, 2-1, retired.

Hendrik Dreckmann, Germany, def. Richey

Hamblin, U.S., 4-6, 3-6, 6-4, 6-4.

Magnus Larsson, Sweden, def. Todd Martin

(7), U.S., 6-7 (5-7), 6-3, 6-4, 1-6, 6-3.

Goran Ivanisevic (12), Croatia, def. Alex Cor-

retja, Spain, 6-7 (2-7), 3-6, 6-1, 6-2, 6-3.

Jaime Yzaga, Peru, def. Michael Chang (15),

Henderson, Nev., 6-2, 6-3, 3-7, 1-6, 7-5.

Korn Kristof, U.S., def. Ruxandra Dragomir,

Czech Republic, 6-3, 1-6, 6-3, 6-3.

Javier Franks, Argentina, def. Mark Wood-

forde, Australia, 6-4, 2-6, 6-4, 6-4, 1-6.

Women's Singles, Third Round

Arantxa Sánchez-Vicario (12), Spain, def. Anke

Huber (11), Germany, 6-3, 6-2.

Julie Halard, France, def. Natalia Zvereva

(7), Belarus, 7-6 (7-2), 7-5.

Petra Ritter, Austria, def. Ruxandra Dragomir,

Romania, 7-6 (7-2), 4-6, 6-4.

Mary Pierce (1), France, def. Amanda

Coetzer, South Africa, 6-1, 6-1.

Sabine Hack (16), Germany, def. Shaun Stafford,

U.S., 6-4, 6-2.

Steffi Graf (1), Germany, def. Irina Spirlea,

Romania, 6-0, 6-1.

Lucy Gorrochategui, Argentina, def. Iva Majoli,

Croatia, 7-5, 6-4.

SUNDAY'S RESULTS

Men's Singles, Fourth Round

Andrei Medvedev (4), Ukraine, def. Jacco El-

tingh, Netherlands, 6-4, 3-6, 6-4, 6-1.

Jim Courier (7), U.S., def. Olivier Delaître,

France, 6-1, 6-7 (9-7), 6-1, 7-6 (8-6).

Sergi Bruguera (6), Spain, def. Patrick Rafter,

Australia, 6-4, 6-3, 6-1.

Pete Sampras (1), U.S., def. Mikael Till-

strom, Sweden, 6-4, 6-4, 1-6, 6-4.

Women's Singles, Fourth Round

Arantxa Sánchez-Vicario (12), Spain, def. Anke

Huber (11), Germany, 6-3, 6-2.

Julie Halard, France, def. Natalia Zvereva

(7), Belarus, 7-6 (7-2), 7-5.

Petra Ritter, Austria, def. Ruxandra Dragomir,

Romania, 7-6 (7-2), 4-6, 6-4.

Mary Pierce (1), France, def. Amanda

Coetzer, South Africa, 6-1, 6-1.

Sabine Hack (16), Germany, def. Shaun Stafford,

U.S., 6-4, 6-2.

Steffi Graf (1), Germany, def. Irina Spirlea,

Romania, 6-0, 6-1.

Lucy Gorrochategui, Argentina, def. Iva Majoli,

Croatia, 7-5, 6-4.

previous round by Mikael Till-

strom of Sweden, a qualifier

ranked No. 226.

Against this backdrop Courier

might have appeared especially

vulnerable, but then Sampras, un-

willing to finish Tillstrom early,

had to fend off four break points

which might have forced him into a

fifth unwanted set. As it was, Sam-

pras won by 6-4, 6-4, 1-6, 6-4, un-

convincingly in one sense, but also

confidently — in that he won the

points when he had to win them.

This has been the growing differ-

ence between Sampras and Courier

ever since this tournament last

June, when Courier — anticipating

a third straight French Open title

— was shocked by Sergi Bruguera

of Spain in the final. Within a

month he was losing the final at

Wimbledon to Sampras, and Sam-

pras now appears married to Cour-

ier's former No. 1 ranking. Two

weeks ago he won the Italian Open

on clay, and day is Courier's back-

yard. Courier notes, promisingly,

that this will be their first meeting

on clay, and that it comes in his

favorite tournament.

"It should be extra interesting. It

should," Courier said. "His serve is

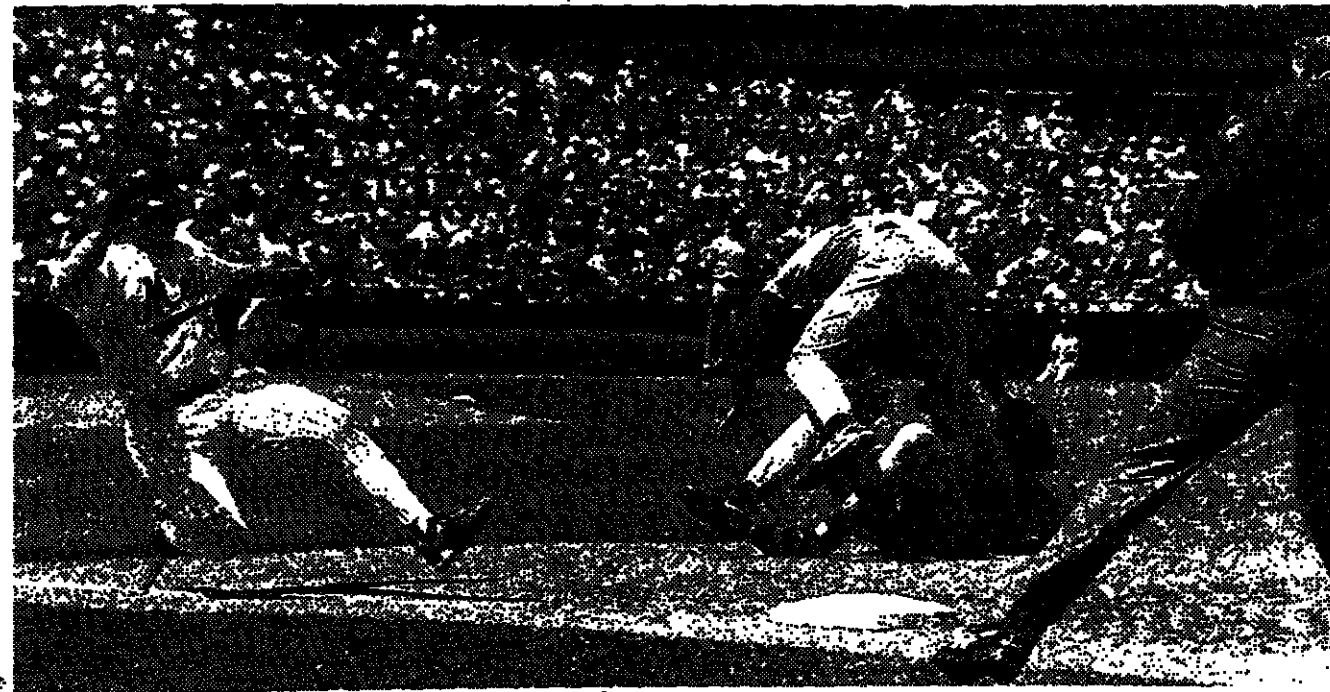
always effective, but it will be

slightly less effective on this court.

am hoping unless he serves 100 percent first serves. So I will get a chance to play and that is all I really ask for against anybody I play is to just give me a chance to play and so what I know how to do and we will kind of put our cards up against each other and see who has the aces and who doesn't."

At midpoint, the tournament remains in orbit around the two of them. In the women's event, No. 1 Steffi Graf is awaiting a semifinal challenge from No. 12 Mary Pierce, who has lost four games in four matches. In the bottom half of the men's draw, No. 5 Goran Ivanisevic is the only surviving seed, while No. 5 Bruguera and No. 4 Andrei Medvedev will meet for the right to play, and perhaps exploit the exhaustion of, the winning rival, among Sampras vs. Courier.

Just 18 months ago, Courier was as stable as No. 1 as Sampras is now. It is silly to say that Courier has "lost it" before Sampras has proved capable of beating him on this surface, in front of this crowd. Even if Sampras wins, you have to ask, how long will he maintain the singular commitment that seems to have momentarily escaped Courier? These are still just the beginnings of a beautiful rivalry.



The Mets' Kelly Stinnett slid safely into first as Reds' pitcher John Smiley and first baseman Hal Morris fumble for the ball.

Els Holds Lead In European PGA Championship

The Associated Press

VIRGINIA WATER, England — Ernie Els of South Africa increased his lead to three strokes Sunday with three rounds of the European PGA Championship having been played, but a late charge put defending champion Bernhard Langer back into contention.

Langer birdied the 17th and 18th holes to catch the best round of the day, a 5-under-par 67, giving the German a 206 total in a three-way tie for second place with Spaniards José María Olazábal and Miguel Ángel Jiménez.

Els, who built his lead with back-to-back rounds of 66, overcame a double bogey at the par-4 sixth to shoot 71 for a 209 total.

Olazábal carded a 71, also with back-to-back birdies at the finish. Scott Simpson converted a record-breaking effort into a four-stroke going into Sunday's final round of the Southwestern Bell Colonial in Fort Worth, Texas.

Simpson put together a 6-under-par 64 and matched the largest 54-hole lead of the season on the PGA Tour. His 195 total broke the old course and tournament scoring record of 197.

SIDELINES

Copiad Wins Trotting's Elitloppet

STOCKHOLM (AP) — Swedish-bred Copiad, battling Pine Chip head to head on the last lap, won Sunday's Elitloppet mile race while the U.S. trotter broke stride and was disqualified.

France's Abo Volo finished second, with Stan Rags of Norway in third place. The victory gave Copiad the Nordic "Triple Crown" and extended the 3-year-old's winning streak to eight races this year.

• Nuria Brian won the Japan Derby by five lengths, leaving the 3-year-old son of 1988 Florida Derby winner Brian's Time one victory away from capturing Japanese thoroughbred racing's triple crown.

Berzin Flat-Out Out-Rides Indurain

FOLLONICA, Italy (Reuters) — Three-time Tour de France winner Miguel Indurain was handed the biggest time trial defeat of his career Sunday when Evgeni Berzin of Russia won the 44-kilometer (27-mile) eighth stage of the Giro d'Italia.

Berzin more than doubled his overnight overall lead of 57 seconds by covering the flatland course on the Tuscan coast in 50 minutes, 46 seconds. Armand de las Cuevas of France came in second, 1 minute and 16 seconds back, while Indurain trailed by 2 minutes, 34 seconds.

Endeavor Sails in Whitbread Lead

SOUTHAMPTON, England (AP) — New Zealand Endeavor, with strong winds on its more northerly route, raced into a 30-nautical-mile lead Sunday on the final leg of the Whitbread "Round the World Race." The Maxi yacht made up in 24 hours the huge advantage maintained for nearly a week by Merit Cup of Switzerland and the Italian Whitbread 60 Brookfield, two boats that had gambled on a more easterly course.

For the Record

Matt Turner, the Cleveland relief pitcher who had swollen lymph nodes in his groin removed, has Hodgkin's disease, tests revealed. (AP) Julius Bove, 74, whose easy-going style belied the competitive fire that made him one of golf's top players, died of heart attack while riding a cart on a course in Fort Lauderdale, Florida. (AP)

First-Pitch Homer Paces Chicago Over Atlanta

The Associated Press

Sammy Sosa hit Tom Glavine's first pitch of the game for a home run and last-minute starter Jim Bullinger gave Chicago six strong innings Sunday as the Cubs beat the Atlanta Braves, 4-2, in Atlanta.

The Braves, who just before the game announced the trade of outfielder Deion Sanders to Cincinnati for outfielder Roberto Kelly, lost four of six games on the home stand and are 12

Pass the Bloopie Envelopes, Please

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